Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.700	Iran	Rls210	Philippines	Pso40
Belgium	BFr65	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Es165
Denmark	DKr12.00	Jordan	JD1	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	Fmk8.50	Lebanon	L£400.00	Singapore	S$4.30
France	FFr7.00	Lux	LFr55	Spain	Pta165
Germany	DM2.40	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr160	Morocco	MDh8.00	Switz	SFr2.30
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SOVIET UNION
Yeltsin pins blame on Ryzhkov
Page 4

FT No. 31,241
© THE FINANCIAL TIMES LIMITED 1990
Monday September 3 1990

D 8523A

World News

Cost of unity emerges as all-German election issue

The cost of German unification emerged as a significant issue in the German election campaign, launched at the weekend, after the opposition Social Democrat Party (SPD) decided to support tax increases to help pay for unity.

SPD leader Oskar Lafontaine also put pressure on Chancellor Helmut Kohl to spell out the cost of unification, which he estimates to be DM100bn ($64bn) a year. Page 16

Yeltsin on attack

Boris Yeltsin, the Russian president, ruled out any compromise with the Soviet government over economic reform, saying Nikolai Ryzhkov, the Prime Minister, must shelve his programme for a market economy, and resign. Page 4; Editorial Comment, Page 14

Cambodian accord

All four warring factions in the Cambodian conflict agreed to attend a meeting in Indonesia later this month to consider UN sponsored plans for a comprehensive peace settlement. Page 5

SA violence resumes

An armed gang murdered 21 people at random in two black townships near Johannesburg, apparently to provoke a fresh outbreak of faction fighting which claimed more than 500 lives last month. Inquiry condemns police. Page 4

New date for Shuttle

Ground controllers repaired a faulty radio link with a telescope on board the US space shuttle Columbia, setting the stage for a possible third launch attempt on Thursday, five days later than scheduled.

Outbreak of plague

An outbreak of bubonic plague has killed three people and infected 23 others in a low-income neighbourhood on the outskirts of Nairobi, Kenya.

Bhutto minister held

Ghulam Akbar Lasi, a minister of labour in the government of ousted Pakistani Prime Minister Benazir Bhutto, was arrested. Police gave no reason for the move, but the caretaker government has threatened to try members of her administration for corruption.

Spanish bombing

Suspected Basque guerrillas rolled a car loaded with explosives at a police post in Bilbao, Spain, killing two people and seriously injuring two more.

Ghana warns rebels

Ghana warned Liberian rebel leader Charles Taylor it held him personally responsible for the safety of Ghanaian hostages. The warning followed reports last week that Taylor's men had butchered 200 Ghanaians and Nigerians.

Gandhi leads poll

A respected opinion poll suggested that Rajiv Gandhi, the former Indian Prime Minister, could be returned to power if a general election were held soon. Page 16

New supersonic jet

The US partner in a joint project with the Soviet Union, set up to produce a supersonic business aircraft, has publicly presented a mock-up of the aircraft for the first time. Page 7

Soviet-Korea talks

Soviet Foreign Minister Eduard Shevardnadze arrived in Pyongyang, North Korea, for talks which diplomats said would cover tension on the Korean border.

Holmes à Court dies

Robert Holmes à Court, the corporate raider once known as Australia's richest man, died in Perth from a heart attack, aged 53. Obituary, Page 5

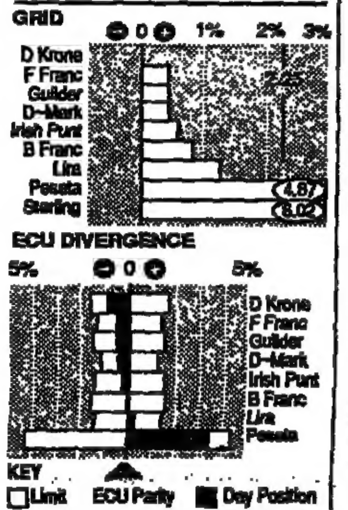
Business Summary

Asil Nadir plans more flotations at Polly Peck

Polly Peck International chairman, Asil Nadir, plans to proceed with restructuring of consumer electronics and leisure group, by seeking quotations outside the UK for more of its subsidiaries, despite the fierce storm still raging over his abortive approach to buy out the company. Page 17

SECTION II: Changes to the companies and markets section in the Monday edition of the Financial Times are introduced from today. The main aims are to give more prominence to important corporate and financial news, and to introduce a new page - The Week Ahead. Full details of the changes will be found on Page 17.

EUROPEAN Monetary System: Attention was focused away from the EMS last week, and on high yielding currencies such as sterling. The D-Mark gained from profit taking in the pound on Friday, but the EMS showed little reaction, with all members trading comfortably within their agreed limits. Currencies, Page 27



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of currencies.

SKANDIA, Sweden's largest insurance and property group and the fourth largest reinsurer in the world, is about to be listed on both the London and Copenhagen stock markets. Page 21

SPAIN's Government has begun preparing the country for a new round of tough economic restrictions, which it claims have been forced on it by oil price rises. Page 16

AACHENER UND Münchener Beteiligungs AG (AMB) suffered a 15.6 per cent drop in net profits in the first half of 1990 to DM54m ($34m) from DM64m in the opening half of last year. Page 21

BRAZIL's government is to halve the import tariffs on all products made in Brazil by monopolies. Page 5

GAZ de France, French state gas distributor, is to take up an option to buy an additional 2bn cubic metres a year of Norwegian natural gas from the year 2000. Page 4

CONSOB, Italy's stock market and companies' watchdog, has had Bruno Pazzi nominated as its new chairman in succession to Franco Piga. Page 21

SIME DARBY, Malaysia's diversified conglomerate, reported group net earnings of M$283.6m ($105m) in the year ended June 30, up 27 per cent from M$223.6m for the previous 12 months. Page 21

Western governments seek to allay fears of war in the Gulf

By Lionel Barber in Washington, Leyla Boulton in Moscow and Ralph Atkins in Muscat, Oman

WESTERN governments are this week seeking to allay fears that the military stand-off in the Gulf will lead to war, but see little early opportunity for further diplomatic initiatives.

While reiterating their commitment to the United Nations-backed blockade of Iraq and occupied Kuwait, western leaders welcomed the release of the first of their nationals, nearly all women and children, who arrived home from Baghdad yesterday.

But thousands of men remain in Iraq, many of whom are being held near key Iraqi military installations.

In an effort to display US/Soviet solidarity against Iraq, President Bush announced at the weekend that he will hold a snap one-day summit in Helsinki with President Mikhail Gorbachev.

The meeting follows expressions of unease in Moscow about the possibility of an outbreak of war and the size of the US military build-up in Saudi Arabia.

Mr Gorbachev is likely to renew Soviet appeals for a political settlement of the Gulf crisis although these have so far been ignored by Iraq, its former ally. Talks between Mr Javier Pérez de Cuéllar, UN Secretary General, and Mr Tariq Aziz, Baghdad's Foreign Minister, ended inconclusively on Saturday.

Javier Pérez de Cuéllar, UN Secretary General: inconclusive talks with Baghdad

Soviet military leaders, already concerned about ethnic unrest in southern Soviet republics, have warned that the US build-up in the region could hurt east-west relations.

A senior Soviet diplomat in Washington said in an ABC television interview that the Soviet leadership was in direct contact with Iraqi President Saddam Hussein. "All sorts of diplomatic means are being used to find a way out of this problem diplomatically," said Mr David Chikvaidze, warning of the dangers of the Gulf crisis escalating into a "bigger conflict."

In Oman, Mr Douglas Hurd, the British Foreign Secretary, who is on a tour of Gulf states, made clear that international efforts should be focused on enforcing sanctions, in particular strangling the Iraqi oil trade, rather than political initiatives. "There should be no false hopes raised," he said. But he welcomed the US-Soviet summit next weekend.

Mr Hurd also expressed delight at the release of British hostages, saying: "It took a lot of hard work, but I just see this as the first planeload . . . Obviously, we will not be satisfied until everyone who wants to leave is able to do so."

Nearly 200 British women and children arrived at London's Heathrow airport via Paris on an Iraq Airways Boeing 747 yesterday, followed by 12 more on a West German Lufthansa jet later. Amid the emotion of the welcome from their families, they largely avoided direct criticism of their captors – one teenager, asked what it was like to be home, said: "Great, I just wish I was with my dad."

There are still 2,500 Britons in Kuwait and perhaps a further 400 in Iraq.

Last night, the Foreign Office said about 25 Britons could be among about 130 westerners expected to fly out shortly on an Air France aircraft.

At Dulles airport in Virginia, 41 American hostages arrived yesterday, accompanied by the Rev Jesse Jackson, the black civil rights leader and twice Democratic presidential candidate. Mr Jackson, who was in Baghdad as a journalist, said he would continue efforts to free hostages and called for further diplomatic efforts.

With the US Congress resuming business this week, senior officials are set to present a more sober view of US policy objectives in the Gulf during testimony on Capitol Hill. The near-term focus remains the unconditional withdrawal of Iraqi forces from Kuwait, but the more ambitious goal of overthrowing President Saddam Hussein, if necessary by force, is being put on the back-burner.

The new session of Congress will offer the first clear impres-
Continued on Page 16

Agriculture surpluses spark new EC budget crisis

By Tim Dickson in Brussels

THE European Community is facing a new budget crisis sparked by rising agricultural surpluses and weak international commodity markets.

Problems are most acute in the livestock sector – beef and butter stocks are building up and lamb prices have virtually collapsed – but the trend for arable products like cereals and oilseeds is also causing concern.

Pressure on the Common Agricultural Policy (CAP) has been intensifying throughout the year but officials admit the situation has deteriorated over the summer. Spending is still well within the limits set for 1990 but adjustments now seem inevitable for 1991.

The worsening outlook is seen as a disappointment so soon after the farm policy reforms of February 1988. It now appears that these so called "stabilisers" – automatic price cuts triggered when production thresholds are exceeded – were not strong enough either to discourage output or curb the cost of EC subsidies in a situation where market prices tumble.

Policymakers in Brussels will be anxious not to allow agricultural difficulties deflect attention from the preparations for December's conferences on economic and monetary union and institutional reform.

The EC's Agriculture Commissioner, Mr Raymond MacSharry's, problems are:

- A build up in EC beef stocks. EC production this year will be about 2-3 per cent higher than last year.

The BSE scare, East German imports of live cattle, and the embargo on trade with Iraq have exacerbated the underlying increase in EC production.

- A 10 per cent drop in lamb prices which threatens to increase the cost of subsidy payments.
- Mounting stocks of unwanted butter and skimmed milk powder due to a combination of falling internal consumption and a downturn in demand on world markets;
- Declining international wheat prices which have boosted the cost of EC export subsidies;
- A near record EC harvest of oilseed rape, which has raised fears that spending will be higher than anticipated this year.

Foothills rising into mountains, Page 14

UK says Saddam could face war crimes trial

By Alison Smith in London

PRESIDENT Saddam Hussein could face trial for war crimes if anything happened to the hostages in Iraq, Mrs Margaret Thatcher warned yesterday.

However, the British Prime Minister said the taking of the hostages could not be allowed to prevent any "necessary" action against Iraq for its invasion of Kuwait.

The Prime Minister also said there should be talks about arrangements to guarantee the future security of the Gulf.

Her uncompromising attack on President Saddam has set the tone for her speech to the House of Commons on Thursday, when parliament re-assembles for a two-day debate. The bipartisan approach which has dominated domestic political reaction to the crisis looks set to continue.

In a direct comparison with the Nuremberg trials of Nazi war criminals after the Second World War, Mrs Thatcher said that once the hostilities had finished, prosecutions could arise out of the Iraqi treatment not only of the hostages but also of some embassies in Kuwait.

"I do not want them to think they are going to get away with it because they won't," she said, speaking on TV-am's Frost on Sunday programme in London.

However, she followed President Bush's tough line in making clear that the hostages would not prevent the taking of whatever action was needed against Iraq.

"If you in fact allow the taking of hostages, terrible as it is, to determine your own action against a dictator, he has won, and all he will ever do . . . is to take hostages knowing that other people would then never take the requisite action."

Iraq could be deterred from carrying out a similar invasion in future, she said, only "by having collective security, by making it quite clear that we should, at the request of other leaders in the area, or they together would find some means of keeping troops on their border to stop it."

The Prime Minister also hinted that the US's possession of chemical weapons could act as a deterrent to Iraq's use of its own chemical weapons in the Gulf crisis.

She acknowledged that the United Nations sanctions could take "some months" to take effect. However, while not ruling out a military strike, she emphasised: "The stronger we are on sanctions the more likely Saddam Hussein is to withdraw from Kuwait without the military option being exercised."

Mr Gerald Kaufman, the Labour Party shadow foreign secretary, said in an interview on London Weekend Television that the Opposition would support the Prime Minister in taking military action provided that she had UN authority, preferably in the form of a specific Security Council resolution.

Labour's backing of the government's actions in the Gulf crisis seems to have limited the public opinion gains for the Tories which had been expected because of the perception of the Prime Minister as a resolute leader.

An ICM poll for the Sunday Correspondent in London gave Labour a 14-point lead, with 51 per cent against the Tories' 37 per cent, only slightly down on July when their respective figures were 52 per cent and 36 per cent. The Liberal Democrats dropped slightly from 7 per cent to 6 per cent.

Mr Tony Benn, the former Labour Cabinet minister, may try to force a vote at the end of the Commons debate but his support is estimated at a maximum of 30 MPs.

- The British Foreign Office refused to be drawn on reports that in the wake of the Gulf crisis it had changed its stance to allow direct talks between British and Iranian officials.

Mr Douglas Hurd, the Foreign Secretary, had previously commented that the best way to ensure that any such discussions were "stillborn" would be to discuss them publicly.

ON OTHER PAGES

Airbus chief says consortium will make a profit this year

By Paul Betts, Aerospace Correspondent

AIRBUS INDUSTRIE will make a profit for the first time in its 20-year history this year, according to Mr Jean Pierson, chairman of the four-nation European aircraft manufacturing consortium.

However, Mr Pierson, speaking on the first day of the Farnborough Air Show in the UK yesterday, attacked the US Government, claiming Washington was attempting to support its aerospace industry by deliberately manipulating the dollar exchange rate and depressing the level of the US currency.

In spite of the long strike at British Aerospace which disrupted Airbus production at Toulouse in France this year, Mr Pierson was confident that the European consortium would make a profit well ahead of its original target of breaking even in 1992-93.

Th announcement was welcomed by Professor Roland Smith, chairman of BAe, which has a 20 per cent stake in the Airbus programme. Prof Smith said: "This is the most bullish news I have heard for some time."

Airbus has long represented a significant financial burden for its four partners – BAe (20 per cent), Aerospatiale of France (37.9 per cent), Deutsche Aerospace (37.9 per cent) and Casa of Spain (4.2 per cent).

However, Mr Pierson said, the buoyant state of the commercial aircraft market, the European consortium's successful family of jetliners and the impact of new measures to improve the industrial efficiency and financial accounting procedures of the group were beginning to pay dividends.

The Airbus partners are seeking to transform the consortium into a more commercially orientated public limited company. However, this is expected to take between two and three years

Mr Pierson said Airbus had a backlog of firm orders of nearly 1,000 aircraft and was expected to win between 300-350 new orders this year. The consortium is studying derivatives of its range of airliners, including a stretched version of its A330 twin-engine aircraft designed to combat the emerging threat from Boeing of the US which has yet to launch its rival 767X wide-body aircraft.

Mr Dick Evans, BAe's chief executive, said the Airbus move into profit was significant for the UK group because it would boost the overall profitability of BAe's commercial aircraft operations which returned into the black last year.

BAe, which builds all the wings for Airbus aircraft, sees the European consortium as an increasingly important part of its overall aerospace operations.

Prof Smith said the Airbus profit was "a major step forward," although the consor-
Continued on Page 16
Farnborough Air Show reports, Page 7

Doesn't a smaller phone bill have a nice ring to it?

cellnet

APEX
PRIVILEGED BUSINESS USER ACCOUNT

A unique cellular package available only from the Cellphone Group, designed specifically for the dedicated business user.

▲ Unique 10% savings on all airtime charges
▲ Full insurance
▲ Full maintenance
▲ Itemised Billing
▲ Directory Billing (identifies personal and business calls)

For details on the Apex Account complete the coupon below or call us on

081 209 1517

The CELLPHONE group PLC

64/76 Hendon Way, Cricklewood, London NW2 2NL
Telephone 081-209 1517 Fax 081-455 4744

Please send me details of the New Apex Privileged Business User Account.
Name
Company
Position
Address

Postcode Tel. FTI

CONTENTS

THE MONDAY INTERVIEW

When it comes to crises in the Middle East, Yitzhak Rabin has seen it all before. His view of the current Gulf confrontation is that it is "first and foremost" an inter-Arab dispute from which Israel should stand aloof.
Page 32

FT SURVEYS: THE WEEK AHEAD

Desktop Publishing: industry revenues now top $3bn a year.

TODAY
International Settlement and Global Custody: improvements in securities settlement lie just around the corner.

TUESDAY
Desktop Publishing: bookmaking without the bind.

THURSDAY
Management Buy-outs: after a decade in the fast lane, the industry has left backers feeling decidedly car-sick.

NEXT MONDAY
Reinsurance: recent heavy claims provoke questions over the long-term impact on the industry.

CRISIS IN THE GULF

A month after Iraq's invasion of Kuwait, **FT reporters** look at the uneasy stalemate ahead of next Sunday's US-Soviet talks in Helsinki

■ WASHINGTON

Bush eager to keep up united front

By Lionel Barber in Washington

IN seeking a one-day meeting in Helsinki next Sunday with President Mikhail Gorbachev, President George Bush intends to demonstrate that the US and Soviet Union remain united against Iraq's occupation of Kuwait.

Mr Bush knows that he needs to keep the Soviet leadership on board if he is to succeed in his strategy of isolating Iraq. If the Soviets waver – as appeared to be the case in some quarters in Moscow in the past week – then President Saddam Hussein might gain the impression he could exploit superpower rivalry to hold on to his conquest.

Ever since the Gulf crisis erupted, Mr Bush has viewed US-Soviet co-operation as the force driving the international coalition against Iraq, which in turn has led to unprecedented United Nations economic and military sanctions against Iraq. "If you want an international consensus and Arab consensus to hold, then we and the Soviets have to be visibly on board together," said one senior US official.

On Saturday, at his vacation home in Kennebunkport, Maine, Mr Bush cast the meeting next weekend as a natural extension of the new, less formal partnership between the superpowers. He recalled that both he and Mr Gorbachev had agreed to meet more regularly, "so it's a good chance to test that now."

Mr Bush also suggested that the mini-summit would enable the two leaders to make progress on other important issues, notably the stalled strategic arms talks and the almost complete conventional forces agreement cutting troops, tanks and aircraft which both see as the foundation of a new security system for continental Europe.

But neither of these explanations takes account fully of what appears to have been a hasty, improvised decision typical of Mr Bush's foreign policy style. It is noteworthy that he failed to mention his planned Helsinki meeting when he spoke to Mrs Thatcher by telephone last Friday.

In recent days, US officials have registered the concern voiced by some military men and middle-ranking foreign policy officials in Moscow about the US military build-up in Saudi Arabia and the potential impact on the balance of power in the Gulf. There have also been reports of a possible Soviet mediation effort.

In the present unstable political and economic climate in the Soviet Union, Mr Bush may have decided to nip potential trouble in the bud. Meeting Mr Gorbachev enhances the Soviet leader's stature at home; in return, Mr Bush can request further direct Soviet pressure on its old ally Iraq.

Lastly, the meeting enables Mr Bush, the master of the personal touch, to convey directly assurances about US intentions in the Middle East. After all, Mr Bush, then Republican national party chairman, lived through the 1973 Middle East crisis when superpower rivalry and mutual suspicion caused the US to put its forces on a worldwide nuclear alert.

At that time, Washington was in the weaker domestic situation, with President Richard Nixon under the siege of Watergate. This time, the Soviets are hostage to a domestic crisis – and Mr Bush wants no room left for miscalculation.

■ UNITED NATIONS

Aziz dashes Pérez de Cuéllar's hopes

By Hugh Carnegy and **Lamis Andoni** in Amman

A GLOOMY Mr Javier Pérez de Cuéllar, the UN Secretary General, said yesterday his talks on the Gulf crisis with Mr Tariq Aziz, the Iraqi Foreign Minister, in Amman had made no real progress.

Warning that the situation was explosive, he looked to next week's summit meeting in Helsinki between President George Bush and President Mikhail Gorbachev as a source of "some hope" for a solution.

He was disappointed that no opening to resolve the affair had materialised during the weekend talks in the Jordanian capital. He said Mr Aziz made no move to address what the UN chief called the root of the problem – the issue of an Iraqi withdrawal from Kuwait.

In a sign of frustration at Mr Aziz's attitude, Mr Pérez de Cuéllar told a news conference he had received no indication in the three meetings he had with Mr Aziz on Friday and Saturday of what was the final position of the Iraqi government on the UN Security Council's resolutions calling for an Iraqi withdrawal.

"I would like to have informed the council that real progress had been made... but in all honesty I cannot do so at present, nor can I anticipate the council's reaction," the UN chief said.

Mr Aziz, who flew back to Baghdad on Saturday night, said after the talks Iraq wanted other Middle East conflicts such as the Palestinian and Lebanese issues to be included in any discussion about Iraq's invasion of Kuwait. He criticised the Security Council for being biased and called for an Arab solution to the crisis, suggesting "quiet diplomacy".

It appeared that, encouraged by signals from Moscow opposing American military action, he had mainly played for time in the hope Iraq could erode the US-led international coalition against Baghdad and woo grassroots Arab support to its side.

Mr Pérez de Cuéllar, however, made it plain this approach was unacceptable. He said the global interests involved in the Gulf made it clear the UN had to be involved. The situation was explosive and could not be spun out over time. "We cannot wait indefinitely while the crisis is solved step by step," he said.

He did show some sympathy with Arab frustration that Security Council resolutions calling for an Israeli withdrawal from the occupied territories had not been enforced, saying he hoped the Gulf crisis would "open the eyes of those who are against attacking frontally this problem of Palestine". But he rejected direct linkage, saying one sin did not justify another.

■ MOSCOW

Soviet anxiety at US military build-up

By Leyla Boulton in Moscow

MR Mikhail Gorbachev, the Soviet leader, is likely to urge President George Bush to refrain from direct military action against Iraq when the two men meet in Helsinki.

The Soviet Union, Baghdad's main arms supplier and a key ally before the invasion of Kuwait, has repeatedly called for a political solution to the crisis. Its southern border is only 125 miles away from Iraq. But Mr Gorbachev's personal appeal to President Saddam Hussein to pull out of Kuwait last week fell on deaf ears, suggesting that a so-called Baghdad connection may be of little use to him.

Speaking before the snap summit was announced on Saturday, the Soviet President said that the US military build-up in the region was fraught with unforeseen consequences. "We must try to find the keys to a peaceful solution to this serious international conflict. Intensive consultations are taking place and approaches are being worked out," he told a news conference on Friday.

"I do not exclude any steps that will lead these consultations to a successful conclusion," he added, in a possible advance hint of his meeting with Mr Bush.

Pravda, the Communist Party newspaper, warned yesterday that there was only a 50 per cent chance of avoiding a war. The daily, whose editor is close to the president even though it is no longer the official mouthpiece it used to be, said that east-west relations would be one of the casualties.

"Not only people would fall victim to such action, not only the oil refineries, but something that at first glance may seem less tangible but is in fact very, very important, the process, still only in its early stages, of humanising relations between east and west," wrote a Pravda commentator.

The Soviet military meanwhile have also expressed unease at the massing of US forces in the Gulf. General Vladimir Lobov, the Commander-in-Chief of the Warsaw Pact, said on Friday the US build-up could wreck east-west arms talks.

Soviet generals are already unhappy about ethnic unrest in the Soviet Union, not to mention the possibility of war so close to the country's southern flank, where domestic unrest is at its fiercest. And as one senior Soviet officer put it last month, "it is not easy to switch from full-blooded relations [with Iraq] to zero."

A British Airways stewardess holds one of the children who had been held hostage in Iraq, just arrived at Heathrow airport in London yesterday after being freed

■ AMMAN

Jordan sees economic disaster

By Hugh Carnegy and **Lamis Andoni**

POLITICALLY, Jordan is precariously balanced on a tightrope between Iraq and the West. But economically, it is plunging headlong into a chasm.

After angering friends in the West, particularly the US and Britain, by defending President Saddam Hussein and opposing despatch of foreign forces to the Gulf, King Hussein has settled on a position somewhat less provocative to the West, but still more or less acceptable to the groundswell of popular pro-Iraqi feeling at home.

On an exhaustive tour of Arab and western capitals, the King has repeatedly said Iraq's seizure of Kuwait is an Arab problem that must be solved by Arabs alone. At the same time, he has said Jordan opposes occupation of Kuwait and will abide by UN sanctions imposed on its neighbour.

But King Hussein is caught in an agonising position. Not only would imposing sanctions on his most important trading partner threaten to exacerbate already daunting economic problems. It carries a political risk of moving the King out of step with his people.

For the time being, there is little evidence of public disquiet over the King's stance. The fact that he has recently spent so much time out of the country is testimony to that. Pictures of him and Mr Saddam side by side are still a common sight around Amman. "He is more popular than at any time since the Suez crisis in 1956," said a former government minister yesterday.

Some people privately express concern that the King may be tempted to shift back towards the West. There is said to be some feeling among those with influence that Iraq has used Jordan without giving the King anything to offer as a potential mediator.

This may be overshadowed by the economic horrors now confronting the country. "It is nothing less than a catastrophe," said a senior central bank official.

Almost every vital part of the economy is threatened. Exports and imports are seizing up because of the difficulty of persuading shipping to sail through the UN blockade of Iraq to Jordan's only sea port of Aqaba on the Red Sea, which also served Baghdad. Officials say a number of import cargoes bound for Jordan are being left by shippers in Djibouti or Port Said. Those that will sail are upping carriage and insurance fees.

If Jordan fully imposes UN sanctions, losses will be huge. Transit trade, which employs nearly 4 per cent of the labour force, has already been slashed by UN sanctions. The Jordanian Exporters Association says the country could lose $280m - about 30 per cent of annual exports - if Iraq and Kuwait are closed to Jordan.

The external account looks shaky and remittances from Kuwait worth $300m a year are in jeopardy.

■ RIYADH

Saudis stress their desire for peace

By Lara Marlowe in Dhahran

PRINCE Sultan bin Abdulaziz, Saudi Arabia's Minister of Defence and the second in line to the Saudi throne, made a public plea for peace at the weekend. He said war was the last resort, and it was inconceivable that Saudi Arabia would attack another Arab country.

Prince Sultan emphasised to journalists his desire for a peaceful solution to the Gulf crisis and placed his hopes in the effectiveness of United Nations sanctions to bring about an Iraqi withdrawal from Kuwait.

Saudis in the Eastern Province, which is most immediately affected by Iraq's occupation of Kuwait and the massive military build-up here, interpreted Prince Sultan's remarks as a signal to both Iraqi President Saddam Hussein and other Arabs that Saudi Arabia was not bent on revenge and that war could be avoided.

Prince Sultan spoke in the presence of his son, Prince Khalid, who, as commander of the Arab and Moslem task force, used much stronger anti-Iraqi rhetoric last week.

"When Khalid spoke, it was a general speaking," one Saudi official said. "Prince Sultan is his father and a statesman and he spoke with more wisdom. Prince Sultan is looking to the future. Iraq is an Arab country. The fact that it has a stupid leadership should not drive us to destroy it. Our thinking should be more careful than that of the generals who want to bomb Iraq and leave."

General Norman Schwarzkopf, the commander of US forces in the Gulf, has called the Iraqi generals "a bunch of thugs". Yet Prince Sultan referred to the same generals as "brother Arabs". His more moderate tone appears to be the result of weeks of reflection and the realisation that a war could damage Saudi Arabia as much as Iraq.

The Saudis, who only a few years ago feared an Iranian takeover of the Gulf, are again facing the same nightmare; if the US destroyed Iraq, Iran might emerge as the most powerful country in the region.

Saudi and US officials appear to agree on one point: Kuwait first. While the Americans talk of an amphibious landing in Kuwait City and gradually driving the Iraqis back from there, Saudi officials are now hoping that Mr Saddam will pull his troops out of Kuwait to escape economic strangulation.

As the Saudis see it, he has only two options – to withdraw from Kuwait or start a war. They believe that war would be tantamount to suicide and that his offer of peace to Iran on August 15 was a test of the Iraqi people. "Any reasonable person would think the Iraqis would turn against him, but they didn't," one Saudi said.

Mr Saddam could present a withdrawal from Kuwait in a favourable light, claiming he had taught the Kuwaitis a lesson or achieved his goal there.

This is what Saudis like Prince Sultan are apparently hoping. They point to Mr Saddam's order to Iraqi vessels not to respond to enemy fire as proof of his desire to avoid a conflict. Once a withdrawal from Kuwait is achieved, the same Saudis say, Mr Saddam's enemies would be free to pursue other means, such as assassination and coups, to rid the Arab world of him with a minimum of destruction.

Hurd dismisses political option

By Ralph Atkins in Muscat, Oman

MR DOUGLAS HURD, Britain's Foreign Secretary, on a tour of Gulf states made clear yesterday that any further political initiatives to solve the Iraqi crisis would not be welcomed. "There should be no false hopes raised," he said.

Speaking between a series of meetings with Arab leaders, Mr Hurd was unsurprised at the outcome of talks between Mr Javier Pérez de Cuellar, the United Nations Secretary General, and Mr Tariq Aziz, the Iraqi Foreign Minister, although it had been right "to test the water". He said the priority should be to make sanctions effective.

"There is no room in the immediate future for some speculative political initiative. We have to settle down for a long haul and we require a good deal of steady determination in the Gulf," he said.

At the same press conference in Oman, however, Mr Yusuf Bin Alawi, the Omani Foreign Minister, said he regretted that Iraq had missed the chance offered.

"This opportunity may not be prevailing again. Perhaps the analysts in the government of Iraq were not able to see how big an opportunity the Secretary General of the United Nations has offered to them in order to save the face of the Iraqi government."

Mr Hurd said that if Britain became anxious about any increasing airlift of goods to Iraq to circumvent the naval blockade, the question of a more effective air blockade would arise. "We are turning our attention in London to ways and means which any such traffic could be prevented," he said.

During his tour, Mr Hurd has also hinted at a tougher stand being taken against the leadership of the Palestine Liberation Organisation for identifying with President Saddam Hussein. He said the Palestinian problem had not been forgotten but "the day is now more remote when that matter is tackled with the importance it deserves".

Mr Hurd has so far found generous, if measured, support for Britain's position in the Gulf. In Dubai yesterday Sheikh Mohammed bin Rashid al-Maktoum, Minister of Defence in the United Arab Emirates, said: "We are against writing a country off, like Kuwait. That is clear but, of course, we don't want a war."

The hardest part of Mr Hurd's trip is still to come. In the Yemen today and Jordan on Wednesday, he faces delicate talks to overcome conflicting pressures on the countries and win support for sanctions.

In Abu Dhabi, Mr Hurd found some anxiety about fraying of resolve if the confrontation with Iraq continues for too long. British military assistance in the UAE has been limited to providing advice, but at least 575 US personnel are stationed there.

With the Foreign Office under attack for the sometimes conflicting advice given to British nationals in the Gulf, part of Mr Hurd's mission has been to offer support and reassurance.

CAUTION OVER HOSTAGES IN LEBANON

MR Douglas Hurd, the British Foreign Secretary, yesterday reacted cautiously to reports which suggested that the prospect of direct talks with Iran could lead to the early release of British hostages in Lebanon.

Asked at his press conference about his position on opening talks with Iran, Mr Hurd said: "My experience has been that, when too much appears in the newspapers, not too much happens." But he referred to the "rather positive things which I have said in recent weeks."

Mr Hurd's statement came after Mr William Waldegrave, the junior minister at the Foreign Office, told a BBC interviewer on Saturday that he was "more hopeful" about making progress in securing the release of the British hostages. "We really do have a crucial interest between us in improving relations," he said.

A news agency report from Beirut yesterday said that one of the three British hostages remaining in Lebanon could be released later this month, while all western captives could be freed within weeks. Quoting sources close to the Iranian government, the Reuter report said the hostages – who are believed to be held by pro-Iranian groups – had "lost their bargaining value" because of the profound political shift in the region caused by Iraq's invasion of Kuwait.

Six Americans, three Britons, two West Germans and an Italian are held in Lebanon. Mr Brian Keenan, an Irishman, was freed last month after more than four years as a captive. Four other hostages have been released in the past five months.

NEWS IN BRIEF

Saddam talks with PFLP leader Habash

Mr George Habash, the leader of the radical Popular Front for the Liberation of Palestine, was received yesterday in Baghdad by President Saddam Hussein amid reports that he was moving his headquarters to the Iraq, **writes Tony Walker from Cairo.**

Mr Habash, who heads the Palestine Liberation Organisation's second largest faction, has been based in the Syrian capital of Damascus since Israel's 1982 onslaught against PLO strongholds in Beirut. But relations between the PFLP and Syria have been strained in recent years. Differences came into the open yesterday when the group strongly criticised the US presence in Saudi Arabia and, by implication, Syria's own token commitment of forces to the desert kingdom to confront Iraq.

Indications that Mr Habash was relocating in Baghdad follow persistent reports recently that PLO renegade, Abu Nidal, had moved to the Iraqi capital early this year.

Cairo HQ for Kuwait Airways

Kuwait Airways has announced that it would move its headquarters to Cairo and planned to lease 18 of its aircraft that were outside Kuwait when Iraq invaded a month ago, **Reuter reports from Nicosia.**

Quoting the Kuwaiti news agency Kuna, the report said that that the company would be rebased in the Egyptian capital some time this month.

Mr Ahmad al-Mashari, the Kuwait Airways director, said contacts with international airlines were underway for leasing 18 Kuwait Airways planes that were outside the emirate at the time of the invasion. Fifteen other passenger planes of all types were reported to have been "hijacked" by the Iraqi authorities and that negotiations were taking place through diplomatic channels and insurance companies to recover them.

Pakistan sends more troops

Pakistan sent more troops to Saudi Arabia yesterday to help the kingdom to defend itself against a possible Iraqi attack, army officials said, **Reuter reports from Islamabad.**

They said about 1,500 men flew to Saudi Arabia as part of a 5,000-strong infantry brigade which Pakistan is contributing.

Pakistan says the troops will be under Saudi military command under a 1982 agreement between the two countries. The decision to send the troops has been widely criticised at home as showing an Islamic nation caving in to US pressure.

Greek frigate joins naval force

A Greek Navy frigate, the Lemnos, yesterday set out to join the international naval forces in the Gulf after a delay caused by political uncertainty over the role it should play, **Kerin Hope writes from Athens.**

Government officials said the *Lemnos* is initially expected to patrol the waters between Cyprus and the coast of Lebanon before heading for the Gulf. The presence of 40 conscripts among the frigate's 200-member crew provoked debate over whether they should be replaced by volunteers for the Gulf mission, but the Defence Ministry ruled out any such proposal.

Kuwait to reimburse foreign residents

KUWAIT'S exiled government wants to reimburse foreign residents of Kuwait who lost their life savings because of the Iraqi invasion, Mr Salman Abdul-Razek Mutawa, the Planning Minister said yesterday, **Reuter reports from Al-Hada in Saudi Arabia.**

He said that the reimbursement scheme would have to be approximate because Iraqi occupation forces had probably destroyed some bank records. "Some will gain and some will lose,but we are not going to be penny-pinching," he said.

Hundreds of thousands of foreigners – many of them Arabs and Asians – have fled Kuwait with little or no cash. "These people committed no crime. They just came to make a living and provide a good education for their children. We will have to do something," Mr Mutawa said.

He said however that officials had preserved pre-invasion citizenship records so that the Iraqi authorities could not alter the country's demographic structure.

Earlier, Mr Yehia Fahd al-Simit, the Housing Minister, said that Iraqi families were already moving into houses abandoned by Kuwaitis who were trapped abroad by the invasion or who have left over the last month. "There are fears that the Iraqis would grant them citizenship. They have all the papers and the stamps. They could hold elections," Mr Simit said.

But his personal concern was to find more permanent accommodation for tens of thousands of Kuwaitis who have taken refuge abroad. Mr Simit said there were now 160,000 Kuwaitis in Saudi Arabia and another 60,000 in neighbouring countries, primarily in the United Arab Emirates. Others are stranded in Egypt, Jordan and Europe.

The refugees in the Gulf states are staying in hotels, schools and spare government houses.

Mr Mutawa said that Kuwaiti embassies had started paying out living allowances to Kuwaitis who had no means of support. They would also receive lump sums to buy furniture and other basic necessities, he said. Gulf education ministers have agreed to absorb Kuwaiti children and teachers when schools reopen this month.

■ PARIS

Rocard calls for common European foreign policy

By Ian Davidson in Paris

FRENCH Prime Minister Michel Rocard yesterday called for the development of a common European foreign and defence policy, in response to the Gulf crisis.

Speaking at a Socialist Party meeting, Mr Rocard said that the nine-nation Western European Union defence grouping was "the structure which could allow Europe to take charge of the fundamentals of its military security."

"Europe would be deceiving itself greatly, if it thought it could live on the unearned income of history, drawing the dividends of a peace maintained by the United States," Mr Rocard said at La Garde-Freinet in Provence.

He said that the Gulf crisis was "not a conflict between north and south, nor between rich and poor, nor between the west and the Arabs, but a conflict between right and force," and he added: "The democracies must be capable of defending themselves."

The prime minister has long been known for his support for the principle of closer European defence integration and for the strengthening of the Western European Union. But his remarks appeared somewhat at variance with the current application of French policy in the Gulf crisis.

Last month the French government chaired a special meeting of foreign and defence ministers of the WEU, in order to co-ordinate Europe's political and military response to the Gulf crisis. But France appears to have a more restricted view of the notion of co-ordination than some of its partners in the WEU.

The Dutch government, in particular, is reported to be pressing for more far-reaching co-operation in the European countries' Gulf operations than is welcome to either France or Britain. A working meeting of senior officials from the nine governments, held in Paris at the end of last week, is reported to have shown a sharp difference of approach between the Dutch and the French.

Meanwhile, Mr Roland Dumas, French Foreign Minister, was last night scheduled to receive a first-hand account from Mr Javier Pérez de Cuéllar, UN Secretary General, on his negotiations in the Middle East with Mr Tariq Aziz, the Iraqi Foreign Minister.

The secretary general will stop over in Paris today, to attend the start of the UN Conference on the Least Developed Countries, which will be opened by President François Mitterrand.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677: Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

CRISIS IN THE GULF

US aircraft carrier's battle group narrowly misses Italian warships

Ships' near-collision raises co-ordination fears

By Lara Marlowe in Dhahran, Saudi Arabia

A NEAR-collision between US and Italian warships has pointed to serious deficiencies in co-ordination of command and control for the massive military build-up in the Middle East.

According to western military officials, the US aircraft carrier Saratoga and its battle group, including two cruisers, a destroyer and two frigates, nearly collided head-on with two Italian cruisers, the Orsa and the Libeccio, and the Italian tanker Stromboli in the Red Sea on Friday.

The Saratoga, a Forrestal class aircraft carrier, was built in 1956 and carries 70 aircraft and six helicopters.

The Italian ships were heading south from the Gulf of Suez into the Red Sea, while the American carrier group was heading north on blockade duty, when the incident took place. The ships were on the point of colliding at a speed of 40 knots when the Americans ordered their vessels to scatter and the Italian ships sailed on between the ships of the battle group.

General Norman Schwarzkopf, US Commander for the Middle East military build-up, said: "This is not Nato. There is not one supreme commander and there isn't any need for one." Gen Schwarzkopf said the Americans and Saudis had established an "integrating cell" to co-ordinate their military movements. Britain and the US have also established joint tasking.

But the failure of the command structure to integrate the French, Italian, Soviet, Canadian and Dutch warships now in or about to arrive in the region nearly proved catastrophic with the American-Italian near-collision.

According to one military official, some 300 ships had been intercepted in the Red Sea, Gulf of Aden, the Arabian Sea and the Gulf since the beginning of the crisis. US coastguard officers boarded 12 of these in the past 10 days. Some 30 ships suspected of carrying goods for Iraq were being watched closely, he added.

The 30 included several Iraqi tankers in the northern Gulf. According to the official, if the 270,000 dwt ton Iraqi tanker Hiteen attempted to load Iraqi oil at Umm Qasr the consequences would be serious.

At least one Kuwaiti motor torpedo boat (MTB) equipped with Exocet missile launchers is now being used by the Iraqis to patrol the northern Gulf – an area which western warships have not entered.

The Kuwaiti Crown Prince and members of his family escaped on two MTBs from Kuwait City to the Saudi city of Jubail on August 2, the military source said. But they abandoned five or six other MTBs to the invading Iraqis. The Iraqi navy is also using two ageing OSA Soviet patrol boats in the northern Gulf.

Threat of war improves UK defence companies' outlook

By Charles Leadbeater, Industrial Editor

WAR in the Gulf could benefit most British defence companies more than the Falklands conflict in 1982, which led to spending of £900m on replacement equipment, according to an analysis published today by UBS Phillips & Drew, the stockbrokers.

The report, drawing on the impact of the Falklands on UK defence spending and defence contractors' share prices, predicts defence stocks would rise strongly if conflict in the Gulf led to military confrontation.

The conflict could offset some of the pessimism which has surrounded defence contractors since the collapse of communist rule in eastern Europe. Talk of a peace dividend has been overdone, the report says.

Most defence stocks rose sharply between Argentina's invasion of the Falklands in April 1982 and its surrender in June. During that period the FT-Actuaries All-Share index rose by just 2 per cent. However, British Aerospace and Ferranti saw their share prices rise by 14 per cent, while Westland, the helicopter maker, rose by 26 per cent and Hunting, an armaments maker, went up by 30 per cent.

The positive impact on defence stocks continued well after the cessation of hostilities. Over the rest of 1982, GEC's shares rose by 21 per cent, Ferranti's by 22 per cent and Racal's by more than 30 per cent.

The Falklands conflict led to spending of more than £900m on the replacement of equipment and an about-turn in the Ministry of Defence's plans for defence spending. In 1981 a defence review had outlined plans for wide-ranging cuts, particularly in the Navy, which were partly reversed in the wake of the conflict.

The UBS Phillips & Drew report argues that the conflict will confirm the need to strengthen Britain's ability to respond to conflicts outside its traditional areas of spending, mainly on the Atlantic Navy and forces stationed in West Germany. Only 4 per cent of MoD spending goes on forces able to respond to so called out-of-area conflicts.

A war in the Gulf would stimulate immediate demand for missiles made by British Aerospace and Ferranti and bombs from armament makers such as Hunting.

Ferranti could be one of the main gainers as a leading manufacturer of cluster bombs and through a missile contract in the Middle East with the United Arab Emirates. Ironically, Ferranti's position in both businesses is due to its US subsidiary International Signal and Control. ISC brought Ferranti to the edge of ruin last year through a £215m fraud.

The Gulf crisis will benefit British Aerospace, the contractor on the Al Yamamah II defence contract with Saudi Arabia, and its main sub-contractors, the report says. Other companies with defence interests such as GKN, Racal, STC and Smiths Industries would also benefit from a military conflict.

The report says an overall increase in the UK defence budget is unlikely. However, it predicts that manpower cuts in UK forces stationed in Europe will finance increased spending on light armoured forces which can be airlifted long distances, ground attack helicopters, and amphibious and airborne forces. A return to large aircraft carriers should not be ruled out,it says.

Just put this on and don't panic

By Ralph Atkins

PRE-FLIGHT safety instructions take on a different meaning on Gulf tours. The nuclear biological chemical (NBC) warfare suits offered to those travelling with Mr Douglas Hurd, the UK Foreign Secretary, are "the best in the world", boasts Sgt Mack McGlinchey, NBC instructor at RAF Brize Norton.

The group could hardly complain. The charcoal-lined suits, gas masks, gloves and boots take an estimated 15 minutes to put on and offer protection for several days – if the heat doesn't get you first.

Chemical detector paper included in the kit turns red to indicate a "blister" agent: you then have five minutes to wash your eyes out before going blind.

Green or yellow means nerve gas. Ninety seconds of this "and you are dead", says Sgt McGlinchey. If it's detected you need to give yourself an injection, with a syringe with a 1½-inch needle. Take off the safety catch, look the other way, and plunge into the fleshy part of the thigh, through the suit if necessary.

The respirators have a drinking vessel attached. The filter needs changing after 120 hours. "What you must not do is panic because when you panic you become all fingers and thumbs," says Sgt McGlinchey.

Shortage of volunteers for the Gulf embarrasses Tokyo

By Ian Rodger in Tokyo

JAPANESE civilians are proving reluctant to volunteer for service in the Gulf because of fears for their safety.

This is an embarrassment for the Japanese government, which wants to show the world that Japan is willing to share not just the costs of the multinational operation in the Gulf but also the dangers.

Japan is restrained from sending military forces abroad both by law and by the strength of pacifist sentiment among the public since the Second World War.

However, the difficulty in finding civilian volunteers for the Gulf will probably increase the pressure on the government to authorise the despatch of military personnel, who, unlike volunteers, can be ordered to carry out dangerous missions.

On Friday, two leading Cabinet members called for changes in the law to enable the country to send members of the self defence forces (SDF) on international peacekeeping missions.

On Wednesday, the government asked for volunteers from transportation companies to ship non-military goods for the multinational forces in the Gulf and from universities to provide medical teams. However, the response has been less than enthusiastic.


Kaifu: wants new laws

"We will not fly our aircraft if we are told to go to dangerous zones," a Japan Air Lines official said on Friday, and All Nippon Airways demanded assurances for the safety of its aircraft.

The All Japan Seamen's Union said members would refuse to go into waters considered dangerous, and the shipowners' association said it would respect this position.

Meanwhile, the Ministry of Health and Welfare is having difficulty raising the 100 volunteers for a Gulf medical team promised by the government. Potential volunteers are apparently worried about conditions such as payments and compensation for accidents as well as the length of their stay, according to sources at the ministry.

Japan has been criticised in the past for not participating fully in multinational peacekeeping operations, especially in areas such as the Gulf where its interests are at stake. The country relies on the Gulf for 70 per cent of its oil.

Government officials have made clear that they want volunteers for the Gulf this time to play highly visible roles, so the world will see that Japan is doing its share.

However, if these volunteers refuse to carry out dangerous missions, the effect could be counterproductive.

On Friday, Mr Yozo Ishikawa, director general of the Self Defence Agency (a cabinet position), said at a Diet (parliament) committee meeting that it was important to have further discussion on sending SDF members to the Gulf.

At the same meeting Mr Mosoji Sakamoto, chief cabinet secretary, echoed the call by Mr Toshiki Kaifu, Prime Minister, on Wednesday for a new law to make it possible for Japan to play a greater role in United Nations peacekeeping activities.

Mr Kabun Muto, Minister of International Trade and Industry, said yesterday that public support should be sought for amending the Self Defence Forces law, which now prohibits sending SDF members overseas except for ceremonial and disaster rescue missions.

Saudis boost oil production

SAUDI ARABIA is reported to have boosted its oil output by 2m barrels a day (b/d) to more than 7m barrels to help compensate for lost Kuwaiti and Iraqi crude, Our Foreign Staff report.

"Production was 7.4m b/d as of Friday. It is now 2m b/d more than it was," a Saudi source in the oil centre of Dhahran said yesterday.

Oil industry analysts suggest that Saudi Arabia began increasing output two to three weeks ago but put the excess production in storage until last Wednesday's Opec agreement authorised higher production levels.

Sustained production at this level would be higher than most observers have believed possible, in part because storage tanks unused since the height of the last oil boom may have to be upgraded.

But one analyst said enough work had been done at the main export terminals of Ras Tanura and Juayma to allow Saudi Arabia to sustain output at 7.4m b/d or more. Around 400,000 b/d of oil are also carried by pipelines to Yanbou on the west coast.

In addition to the Saudi action, the United Arab Emirates (UAE) was reported to be increasing output by 500,000 b/d, Venezuela by 300,000, Mexico by 100,000 and other Opec states by 200,000. US fields in Alaska were producing an extra 50,000 b/d.

A border post under pressure

By Jim Bodgener at Habur border gate, South-east Turkey

SANITARY conditions were worsening yesterday on the Iraqi side of the Turkish border gate at Habur, the exit point to which the Red Cross estimated that 200,000 refugees fleeing the Gulf crisis, mainly former Asian workers in Kuwait, were heading. Some 7,000 refugee cars tailed back on the road for six miles behind the bridge crossing the frontier Hezil River, with more arriving all the time.

"It was like a vast latrine," said Mr Barkat Ali Khan, a Pakistani former office worker in Kuwait, from his packed minibus.

Most in danger were 2,000 children of all ages trapped in the heat for days in the traffic jam on the approaches to Habur under the black, forbidding cliffs and bluffs of the Zaho Mountains. Arrivals on foot, mainly single men, had declined but families occupied every fourth or fifth car.

"There was very little water and no baby food," a young Pakistani mother in a bright but soiled sari mumbled wearily. "The Iraqis kept it all for themselves. And everything is so dirty – our babies constantly have diarrhoea."

Iraqi border guards and officials had touted for bribes to move people to the head of the queue. "The currency is no longer Iraqi or Kuwaiti dinars, but video-cassette recorders," said Mr Abdul Rashid, formerly a laboratory technician in Kuwait.

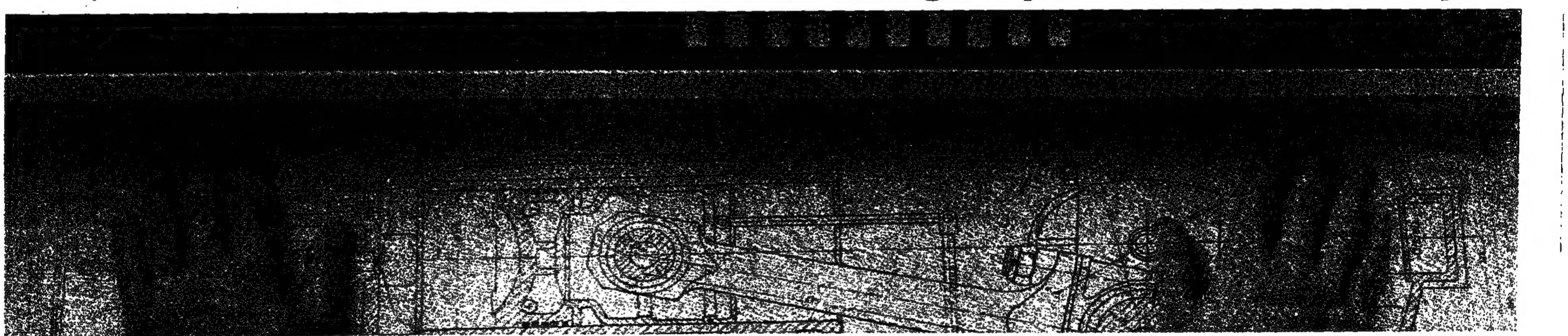
Other guards had lashed out with sticks to keep people in line. But without exception, everyone praised the succour given by the ordinary Iraqi Kurdish people of Zaho.

It seemed the Turkish authorities had finally expanded their handling capacity after a mission to the border by a team of Pakistani senators over the weekend, with the numbers crossing rising towards 1,500 daily.

Near Habur, a large Turkish state hostel and parking lot for pilgrims to Mecca stood virtually empty. But at Gazagan, just inside the Iranian border 450 miles to the north, the provincial authorities had provided 50 tents and a guest house for refugees crossing Iran in cars and a bus shuttle from the Turkish border gate of Gurbalak. The Iranians gave them ample food and water while they rested before the 1,400-mile journey home via Baluchistan.

Direct crossings south between Iraq and Iran had proved more difficult, if not impossible, according to some accounts yesterday. At Salamcha, near Basra, Iranian border guards had fired over their heads to turn cars away a week ago, said Mr Ghulam Rasool Pervaiz, a computer technician.

The world's best technical drawing copier. Plain and simple.

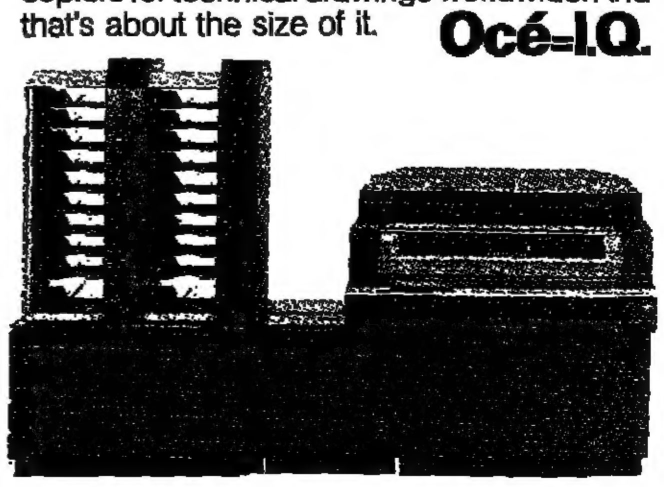


Nothing comes close to the Océ 7500 for reproducing technical drawings on plain paper.

Its automated copying, folding and sorting capabilities are unmatched in the industry. That means Océ's high volume users get just what they deserve: high productivity for fast distribution of technical drawings.

Consistent high copy quality and reliability is ensured by Océ's unique image transfer system.

The Océ 7500 is a brilliant example of the design and engineering skill that has made Océ the biggest name in large size copiers for technical drawings worldwide. And that's about the size of it. Océ=I.Q.



océ

Copying and printing with the simple touch of genius.

Océ (UK) Limited, Head Office, Langston Road, Loughton, Essex, IG10 3TH. Ozalid - Telephone 081-508 5544; Océ Copiers – Telephone 081-502 1851; Océ Office Automation - Telephone 081-502 0038.

S African inquiry condemns police township killings

By Philip Gawith in Johannesburg

A JUDICIAL inquiry has severely censured police conduct which left 18 people dead and 281 injured when police fired on anti-apartheid protesters in the Transvaal township of Sebokeng in March this year.

The killings caused the ANC to postpone its initial round of talks with the government.

The one-man commission of inquiry, conducted by Mr Justice Richard Goldstone, found that the force used by policemen was "quite immoderate and disproportionate to any lawful object sought to be attained". Judge Goldstone recommended that all policemen who fired live ammunition on the day should be investigated by the Attorney General with a view to pressing charges.

Responding to the report, Mr Adriaan Vlok, Minister of Law and Order, said the commission's recommendations in this regard would be implemented and departmental steps were also being considered against certain policemen.

He said that while certain individuals may have acted outside the law, the judge had "voiced no essential criticism against the force as a whole, except inasmuch as it concerned the use of special constables".

Mr Vlok said that the selection and training of these police would in future be more rigorous. He said as far as possible they would not be used for riot duty or crowd control.

The report catalogues a litany of non-procedural and indisciplined behaviour on the part of the police which was "the direct cause of the shooting". The organisers of the march, however, are also criticised for being "negligent and irresponsible in the haphazard and disorganised" way in which they had planned the events of the day.

Noting that the tragic events could have been avoided, Judge Goldstone advocated better planning of marches and greater consultation with authorities in future. "I hope the incidents will serve as a lesson for people involved in organising mass demonstrations, on the one hand, and the police authorities on the other".

Yeltsin says Ryzhkov stands in way of reform success

By Leyla Boulton in Moscow

MR Boris Yeltsin has ruled out any compromise with the Soviet government over economic reform, saying Mr Nikolai Ryzhkov, the Prime Minister, must shelve his programme for a market economy, and resign.

"You can't mate a hedgehog and a snake," the Russian President told a news conference on Saturday. He rejected President Mikhail Gorbachev's suggestion on Friday that the "best elements" of the government's plan could be combined with the more radical approach adopted by a working group he set up with Mr Yeltsin.

Mr Yeltsin said that the programme of the working group headed by Professor Stanislav Shatalin, Mr Gorbachev's radical economic adviser, was supported by all the republics, including the Baltic states, which plan to leave the Soviet Union.

Mr Gorbachev told reporters that a final draft for economic reform would be submitted to the 15 republics at the end of this week once measures to stabilise the economy had been finalised. The two leaders have agreed to work together on economic reform, leaving the republics maximum autonomy to decide how much of the package they would adopt.

However, their subsequent press conferences threw up one key difference – over whether Mr Ryzhkov should remain Prime Minister. While Mr Gorbachev said that the urgent need for action did not allow "the luxury of a major reshuffle", Mr Yeltsin said that Mr Ryzhkov's resignation was crucial to the success of market reforms.

"It is psychologically impossible for the government to promote any programme because people have lost faith in it," Mr Yeltsin said. "Maybe common sense will reach the leadership and the government will understand for itself that it must resign."

What one Soviet official described as a "Bermuda triangle of Gorbachev, Yeltsin, and Ryzhkov" will no doubt be at the centre of attention.

Mr Ryzhkov said last month he would step down if Mr Yeltsin was proved right in saying he had lost public confidence. But the beleaguered Prime Minister, who has presented two abortive economic reform programmes over the past year, is still useful to the Soviet President as a scape-goat for any criticism of the Kremlin.

His resignation could also pave the way for a new government including non-Communists for the first time in 70 years – a development which Mr Gorbachev may not be ready for just yet.

Mr Yeltsin left the Communist Party in July, along with a host of leading radical politicians such as Mr Gavriil Popov, the mayor of Moscow.

However, it is also possible that the Soviet leader may have no choice but to accept Mr Yeltsin's demand for the prime minister's head. This is because Mr Gorbachev needs the continued co-operation of the Russian President, who is possibly the country's most popular politician, more than he needs Mr Ryzhkov.

It thus appears that the struggle over the government's fate is more important than differences in the two programmes: although they differ on the pace of change and on pricing policy, both contain institutional reforms essential for shifting the Soviet Union to a market economy.

The government programme, which has already begun to emerge in the form of individual laws on issues such as demonopolisation and currency reform, is thought to seek unpopular price increases in a first stage of transition to a "regulated market economy".

But Mr Leonid Abalkin, the deputy prime minister who heads the government's economic reform commission and is also a member of the presidential working group, has said the programme could undergo radical changes as a result of pressures from republics.

Although it has not yet been published, the Shatalin plan is said to be based on the "500-Day Programme" worked out for the Russian Parliament. By setting out a precise timetable for reform, the latter seeks to give ordinary citizens a way of holding economic reformers to their promises on a month by month basis.

With institutional reforms in the first 100 days, privatisation and the sale of housing and land in the next 150 days, prices would be freed only in a third 150-day phase. A final 100-day period of "aggressive stabilisation" would include major public investment programmes to revive growth.

Editorial comment, Page 14; The longest 500 days, Page 30

France takes up option to buy more Norwegian gas

By George Graham in Paris

GAZ de France, the French state gas distributor, has agreed to take up an option to buy an additional 2bn cubic metres a year of Norwegian natural gas from the year 2000.

Norway supplied 20 per cent of France's gas requirements last year, coming behind Algeria and the Soviet Union, and Gaz de France had already agreed to take an additional 6bn cubic metres a year from the giant Troll offshore field from 1993 onwards. This Troll contract, signed in 1986, included the option which Gaz de France has now decided to exercise.

The French gas company said that the option had been under discussion for some months now, and that the decision to exercise it was prompted by the foreseeable increase in French gas consumption, not by the current Gulf crisis.

France's own Lacq natural gas field supplies less than 10 per cent of the country's current requirements.

■ THE French government has decided to cut value-added tax on cars in mid-September instead of next January 1, when it had been expected to be reduced, according to a report in Le Monde, Reuter reports from Paris.

The newspaper reported that VAT would be reduced to either 22 or 23 per cent from the current 25 per cent. The decision to move the VAT reduction forward stems in part from the government's desire to combat inflation.

Montreal bridge to reopen after Mohawk block

COMMUTER traffic may resume today over the Mercier Bridge into Montreal for the first time in 55 days. Army vehicles have tested the Mercier – one of three big bridges into Montreal from the south – and inspections have not revealed any signs of dynamite, **Robert Gibben writes from Montreal.**

Heavily armed Mohawks from the Kahnawake Reserve and the US had barricaded the bridge and several approach roads early in July to support a land claim at another reserve and to push their case for sovereignty and tax immunity. Troops moved in two weeks ago and negotiations for reopening the bridge finally succeeded.

Attention is now centred at the Oka Reserve west of Montreal. The army has removed all but one Mohawk barricade and has surrounded the reserve against the St Lawrence shoreline.

Army sources said current negotiations could result in removal of the last barricade, enabling Mohawks and townspeople to finally return to their homes. Negotiations continue about longer term issues, such as the Mohawk claim to a large tract of south-western Quebec and eastern Ontario and Vermont and New York State as a national home.

EC set to renew the battle over social policy

Brussels fears the conflict over legislation could get out of hand, writes David Buchan

1992 THE EUROPEAN MARKET

THE AUTUMN campaign in the European Community's war over social legislation gets quickly into its stride this month.

The EC Commission will fire the opening shots, in the form of proposals on protection for pregnant women at the workplace. It will then move onto a standard written work contract for workers, equalisation of labour rules for people working abroad on sub-contracts, and, most politically explosively for Britain, will table plans to require workers to be given some right to information from, and consultation by, their employers.

However, Mr Jacques Delors, the Commission president, has made clear that he does not want the war to get out of hand. In particular, he has said repeatedly he does not want "another Vredeling".

This refers to a former Dutch EC Commissioner, whose proposal in the early 1980s that all multinationals must supply their employees with key basic corporate information brought down on Brussels an avalanche of criticism from companies, EC and non-EC alike.

Understandably, officials working for Ms Vasso Papandreou, the EC social affairs commissioner, are coy about plans in the information and consultation field. Mr Delors is the most powerful Commission president for 25 years, and there is probably no legislative area, apart from economic and monetary union (EMU), in which he takes a closer interest than labour matters.

This might seem natural for a socialist. But many fellow socialists in the European Parliament and the trade unions see something more Machiavellian in Mr Delors' interest.

They believe, with good reason, that the Commission president is primarily concerned that battles over social policy do not distract attention from his overriding goal of achieving EMU. Britain happens to be the country most at odds with both EMU and EC social legislation. Mr Delors has therefore been, on several occasions, a restraining hand on his fellow socialist, Ms Papandreou.

But Mr Delors also does not want to antagonise support that could help put him on the socialist ticket for the French presidency in the mid-1990s. That is why he has been extremely sensitive earlier this year to criticism, from the European Parliament's (EP) socialist majority, led by Mr Jean-Pierre Cot of France, that the Commission was dragging its feet on social initiatives

For a while, the Parliament refused to agree a general legislative timetable with the Commission, and the rate at which the Parliament is processing single market laws has slowed down. Some left-wing MEPs have talked about holding financial services legislation hostage until the Commission gives teeth to its November 1989 "social action programme". But hostility ebbed once labour market proposals started to pop out of the Commission – in June on protecting the benefits of part-time workers and in July on regulating work hours.

Labour market legislation is relatively new territory for the Commission, even though the Single European Act (SEA) of 1986 gave the Community a bigger role in this area. That is why the Commission sought extra moral backing from the famous Social Charter, the statement of aims in the social field that was adopted over Mrs Margaret Thatcher's lone dissent last December, but which is not legally binding. It is also why the Commission is keen to justify its proposals, with varying plausibility, as essential to keeping workers healthy and safe, or to underpin the single market.

There are two sound reasons for this. The political one is that no government is more single-mindedly in favour of the single market than the UK. The legal one is that under the SEA labour market proposals related to health/safety or to the internal market can be approved by the Council of Ministers on a majority vote.

Real battle lines, therefore, over EC social policy are in deciding which proposals are "nice to have" and which the EC "needs to have" for 1992.

Many of the Social Charter goals fall into the "nice to have" category, in that failure to achieve them does not endanger life and limb or Europe's economic unity. The Commission has implicitly recognised this by saying that it proposes no legislation, simply recommendations, on a number of Charter goals.

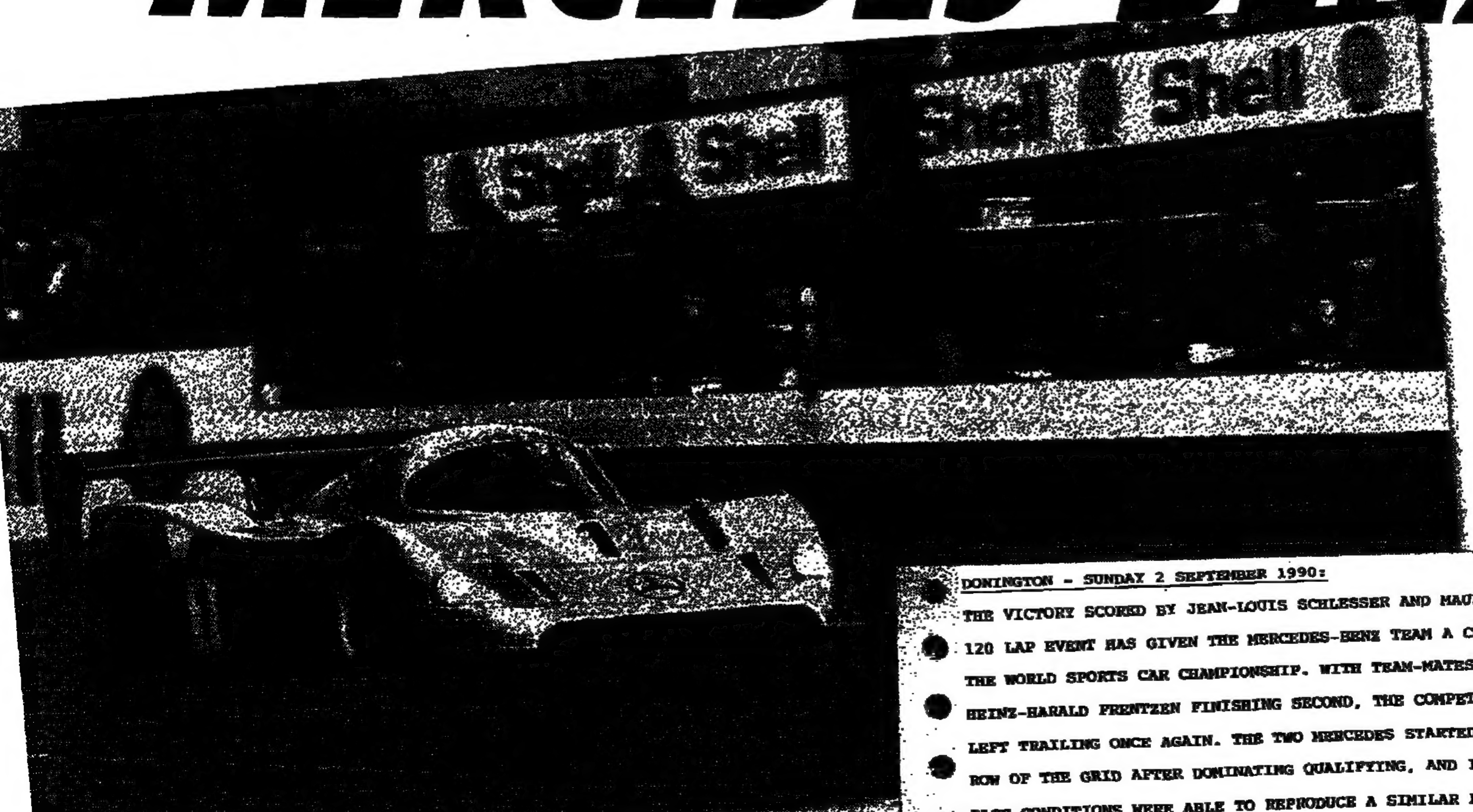
One particular goal is best not achieved; a common European minimum wage, which would undermine the relative cost advantage of the EC's less productive economies.

But the Commission has made part of its June proposal on part-time work approvable by majority vote, on the ground that those countries where benefits for full-timers are not extended, pro rata, to part-timers gain an unfair competitive advantage over other countries where there is greater social equity.

Certainly, improvements in a country like Britain where part-time work is both widespread and largely unprotected, would be "nice to have". But the UK government and Unice, the European employers' federation, argue that labour cost variations are a mechanism of economic competition, not a distortion of it.

The forthcoming proposal that people from one EC state working temporarily on subcontract in another EC state should get the same social benefits as workers in the host country seems, on the face of it, to fit more plausibly into the "need to have" category. Indeed it is linked explicitly to the opening up of public procurement to cross-border bidding. This is one of the few proposals that could lead to cross-border labour flows.

DONINGTON 1-2 FOR MERCEDES-BENZ



DONINGTON – SUNDAY 2 SEPTEMBER 1990:
THE VICTORY SCORED BY JEAN-LOUIS SCHLESSER AND MAURO BALDI IN TODAYS 120 LAP EVENT HAS GIVEN THE MERCEDES-BENZ TEAM A COMMANDING LEAD IN THE WORLD SPORTS CAR CHAMPIONSHIP. WITH TEAM-MATES JOCHEN MASS AND HEINZ-HARALD FRENTZEN FINISHING SECOND, THE COMPETITION HAS BEEN LEFT TRAILING ONCE AGAIN. THE TWO MERCEDES STARTED FROM THE FRONT ROW OF THE GRID AFTER DOMINATING QUALIFYING, AND IN THE EXCELLENT RACE CONDITIONS WERE ABLE TO REPRODUCE A SIMILAR PERFORMANCE IN THIS AFTERNOONS THREE HOUR ENDURANCE TEST.
(RESULT SUBJECT TO CONFIRMATION)

ENGINEERED LIKE NO OTHER CAR IN THE WORLD

هكذا من الأصل

INTERNATIONAL NEWS

Cambodia groups agree to peace talks in Jakarta

By Claire Bolderson in Jakarta

ALL FOUR warring factions in the Cambodia conflict have now agreed to attend a meeting in Jakarta later this month to consider plans agreed last week by the five permanent members of the UN Security Council for a comprehensive settlement.

However, full details of the four factions' agreement to attends will need to be studied closely before Mr Ali Alatas, the Indonesian Foreign Minister who has taken a leading role in efforts to end the fighting in Cambodia, convenes the meeting.

He made clear that he has no intention of calling the factions together until he can be sure all the parties concerned are commited to the same objectives.

Indonesia, together with France, chairs the international peace conference on Cambodia which collapsed in disarray in Paris in August last year. Indonesia has already hosted three meetings on Cambodia the last of which, in February, ended in disagreement. "It would be better not to have a meeting at all than to fail again," Mr Alatas said.

He said the main purpose of a meeting in Jakarta would be to discuss the composition and function of a Supreme National Council which would govern Cambodia, with a heavy administrative role for the United Nations, on an interim basis pending general elections.

The meeting would also discuss the details of the five papers agreed by the five permanent members of the Security Council as a framework for a comprehensive peace settlement. These papers cover issues such as the terms for a ceasefire and the disarming of all the factions.

Mr Alatas said the UN agreement "provided a unique chance" for achieving a settlement to the Cambodia problem, adding that the most important priority now was that the momentum should not be lost.

The coalition of three resistance groups, dominated by the Khmer Rouge, were quick to agree to the Jakarta meeting as they have always seen a UN role as the best way to dislodge the Phnom Penh government of Hun Sen, installed as prime minister by the Vietnamese and surviving in office since their withdrawal from Cambodia a year ago.

Hun Sen was less sure about the meeting but Cambodia's President, Mr Heng Samrin, confirmed yesterday that the government would be represented although it saw the UN peace plan as a guideline for talks rather than a solution to Cambodia's troubles.

"The stance of the state of Cambodia is to maintain its status quo, both politically and militarily," he said, a comment which will not encourage Mr Alatas.

President Semrin said he regarded the UN plan "as a basic document for the future discussion on the principles of respect for the independence, sovereignty and the right to self-determination of the Cambodian people."

The Jakarta talks should complete the formation of the Supreme National Council, arrange its first meeting and "discuss" the UN plan, the president said.

Bhutto to be charged this week

By Farhan Bokhari in Islamabad

PAKISTAN'S interim government will this week file charges of corruption and misuse of power against Ms Benazir Bhutto, the ousted prime minister.

Three or four charges, which the government claims will be backed with "solid proof," are being finalised. The charges, and similar charges against members of her administration, will be heard by special one-man tribunals set up which will also examine bank accounts and central bank records. Ms Bhutto has dismissed these courts as "kangaroo courts" and has said she will refuse to appear before them in person.

The first of Ms Bhutto's former ministers to be arrested was Mr Ghulam Akbar Lasi, the state minister for labour, who was picked up by police yesterday. Some provincial ministers and activists have already been detained in Ms Bhutto's province of Sind.

The interim government says the cases are to make members of Ms Bhutto's government accountable for their alleged illegal actions which include receiving large kickbacks in awarding contracts and taking out loans on preferential terms.

OBITUARY

Holmes à Court: 'low profile private investor'

By Ray Bashford

Holmes à Court: always worked quietly and methodically

MR Robert Holmes à Court, who died yesterday of a heart attack aged 53, was one of the leading figures in the band of Australian entrepreneurs who moved offshore during the 1980s to expand through acquisition, particularly in Britain.

When his financial stength was at its height in late 1987, the South African-born Mr Holmes à Court had an estimated personal fortune of A$1.3bn ($1.1bn) and had influence over companies worth many times this figure.

At this time he owned 30 per cent of BHP, the bastion of the Australian business establishment and the country's biggest company, 10 per cent of Texaco, the US oil group, the media and property interests he acquired through the adacious takeover of Lord Grade's Associated Communications Corporation group in 1982 as well as media, natural resource and property and transport interests in Australia.

The fortune he amassed made him by far the richest individual in Australia and he had built an international reputation as one of the shrewdest stock market dealers, who financed many of his deal through plays on the futures market and through abritrage. He moved in and out of many British companies' share registers with his most notable investments including Standard Chartered, TV-am, Vickers and Rolls Royce.

By comparision with the brash displays of power and influence which typified the activities of fellow Australian entrepreneurs such as Mr Alan Bond and Mr Kerry Packer, Mr Holmes à Court methodically built his stock market positions after careful analysis and shied away from publicity.

However, this techicique, which fitted well with his urbane, pacid personal manner failed him badly in October 1987. The epithet of "the big acquirer" which the press tagged him during the years leading up to the crash was rapidly replaced with "the world's heaviest loser."

He saw the value of his fortune halved in the matter of weeks as he became Australia's first ex-billionaire. Mr Holmes à Court was being quickly circled by a posse of domestic and international banks which had funded his expansion and were estimated to have been owed A$5.1bn at the peak of the market.

The decision by Merrill Lynch to withdraw as lead manager of a A$1bn bond issue left the man who in early 1987 had taken a bet with another Australian businessman that the bull market would continue at least into 1988 with no alternative but to launch a fire sale of assets.

Mr Alan Bond, who before is present financial crisis was a pretender to Mr Holmes à Court's title as Australia's richest man, stepped forward in mid-1988 and made a A$850 for bid for the Bell Group, Mr Holmes à Court's master company.

This netted Mr Holmes à Court about A$420m through his family's shareholdings and provided him with the foundation for the creation of his present fortune.

Objecting once to the tag "the world's biggest loser in the share market crash", Mr Holmes à Court said: "May I remind you, Mr Bond has the shares and I have the money".

A senior financial commentator in Australia who at the time was highly critical of the terms of the deal with Mr Bond said yesterday that indeed, Mr Holmes à Court's legacy to the shareholders of the Bell Group was Mr Bond.

Having made his exit from the sharemarket through the sale of this another other assets, Mr Holmes à Court chose the life of a very private investor. The "off the record" briefings with journalists continued but he always made it clear that he was enjoying being out of the public gaze.

In place of taking stakes in high profile large public companies, Mr Holmes à Court chose to move into companies which appealed to his private passions such as theatre, art and animal breeding.

To pursue these interests he split his time between London and Perth. He felt felt equally at home in either place, proud of his English ancestory which he had traced back to Norman times and wore the Holmes à Court, sixth baron of Heytesbury coat of arms on his signet ring.

After boarding school in Natal, he studied agricultural science at New Zealand's Massey University and moved to Perth in 1962 to study law at the University of Western Australia. He laid the foundations of his empire from his base in Perth in 1970 as legal adviser to a small and ailing company, Western Australian Worsted and Woollen Mills.

He operated his empire singlehandedly, refusing to share the decision making with any member of his family or staff. Senior figures in Australian business were yesterday speculating on the future of the group because, apart from his wife Janet and four children, the eldest of whom is in his mid-20s, there appears no likely heir apparent.

Brazil widens war on cartels

THE Brazilian government is to halve the import tariffs on all products made in Brazil by monopolies as part of its recently declared "war on cartels" to bring down prices, writes Christina Lamb in Rio de Janeiro.

The 58 products include car parts, petrochemicals, plastics and fertilisers. Companies from these sectors are already under government scrutiny following the announcement last month of tough anti-trust legislation. Several have been asked to explain price rises of between 30 and 126 per cent.

In a further drastic move towards liberalisation the government is for the first time to allow all private banks to issue export and import permits, an activity previously only handled by the state owned Banco do Brasil.

The government blames both business and labour for its inability to bring monthly inflation down to single figures, a task rendered more difficult by the Gulf crisis.

Inflation for August was slightly up at 10.58 per cent compared to predictions of 3 per cent. The minimum monthly salary set by the government has almost doubled since President Fernando Collor de Mello announced his anti-inflation plan in March.

Argentina acts to curb inflation

MR Antonio Erman González, Argentina's Economy Minister, announced "a new stage" in his adjustment policies at the weekend, promising to stem rising inflation by further reducing Government spending and increasing public revenues John Barham writes from Buenos Aires.

The Minister admitted to previous "errors" in his attempts to stabilise the volatile Argentine economy, but this time, he said: "The state has assumed its share of the responsibilities." None the less, the measures announced were less severe than expected.

Mr González announced that the temporary public employment and severance pay regulations would be changed to reduce staffing levels.

All Government payments would be controlled by the Finance Department. Public utilities will raise prices by 12 to 35 per cent.

All contract negotiations covering supply of non-essential goods and services will be broken off. Government services provided free of charge are either to be privatised or terminated, except for education, welfare, and police.

The Minister did not say by how much he expected the adjustments would increase public sector cash flow.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

					% change over previous year
	Jul.'90	Jun.'90	May'90	Jul.'89	
US	116.4	116.4	115.9	114.2	+1.9%
Japan	126.7	124.8	125.0	118.7	+6.7%
	Jun.'90	May.'90	Apr'90	Jun.'89	
U.K	114.5	112.1	112.7	108.5	+5.5%
W.Germany	116.7	116.4	112.8	111.4	+4.7%
France	112.0	111.5	111.3	110.9	+1.0%
	May.'90	Apr.'90	Mar'90	May.'89	
Italy	118.7	118.8	119.5	116.4	+2.0%

Source: (except US and Japan) Eurostat

NOW AVAILABLE FROM EUROMOTOR REPORTS TO REDUCE RISKS AND ADD VALUE:

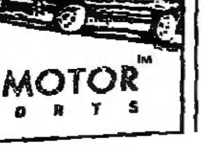
THE ANNUAL IN-DEPTH ASSESSMENT OF THE FINANCES OF THE COMPANIES IN EUROPE'S LARGEST INDUSTRY

Suppliers, banks, governments, analysts, distributors and others depending on Europe's motor industry have asked for a consistent, qualified, authoritative presentation of the financial accounts, balance sheets and prospects of Europe's vehicle producers. The Euromotor Financial Yearbook 1990 meets this need. Never before have the finances of Europe's vehicle makers been analysed in depth and detail across a consistent format. Data includes a seven-year perspective to disclose the balance sheet secrets of the successful companies and those that are at risk.

Vital insights are provided into financial impacts of sales, gearing policies, capital expenditures, employment trends, inventory levels and accounts receivable. Balance sheets are presented in a consistent format for 19 companies in both local currencies and Ecu from 1982 through 1988. Consolidated reviews and analyses cover Europe, France, Italy, West Germany and the UK.

- How the motor industry controlled inventories and accounts to liberate Ecu 9.7 billion in cash
- BMW's squeeze between wages and margins: an industry leader could be loss-making by 1991
- Balance sheet evidence of pricing restraint to gain market share by Vauxhall and Ford of Britain
- Volvo threatened by record high costs of materials; will the Renault alliance provide a solution?
- Overmanning and high wage rates at Volkswagen: the problems behind VW's Spanish and East European strategies
- Discovering the companies that can be 'in play' Rover, Vauxhall, Audi, even Mercedes Benz

Executives, analysts, investors and libraries inside and outside Europe's motor industry look to the Euromotor Financial Yearbook 1990 as the master business reference and authority.



Research and analysis by established and experienced motor industry specialists Ludvigsen Associates Limited.

412 pages including index and 373 tables

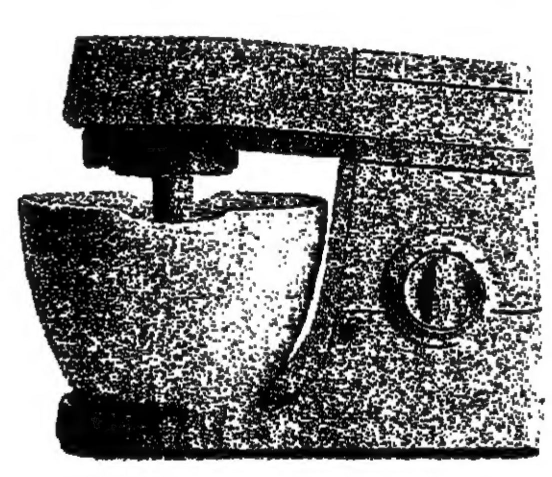
Price £475 (US $760) post paid from:

Euromotor Reports Limited, Suite 1012, 105-106 New Bond Street, London, W1Y 9LG, England. Telephone (01)493 7711, Facsimile (01)491 8997

EUROMOTOR™ REPORTS

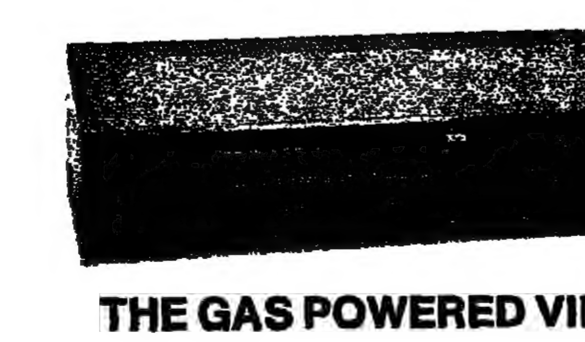
Five great innovations from two of Scotland's most resourceful companies.

THE OIL FIRED KETTLE.

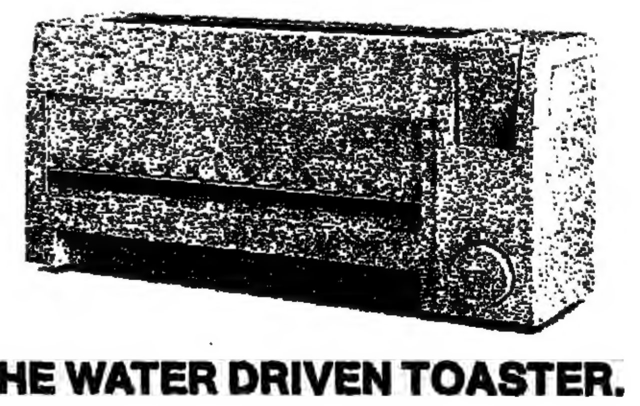


THE COAL POWERED FOOD MIXER.

THE NUCLEAR FUELLED HAIRDRYER.



THE GAS POWERED VIDEO.



THE WATER DRIVEN TOASTER.

Scottish electricity is an industry with a difference. Between us at ScottishPower and Hydro-Electric, we are equipped to generate our electricity from hydro, coal, oil and gas and we have access to nuclear. We're quite distinct in other ways too. We don't just generate, we also distribute and sell our own electricity. All the way from the power station to the plug point. Then there's our capacity to export electricity south of the border. In normal operating conditions we can export every day of every week. 52 weeks a year. Yet we can still cater fully for Scotland's needs.

All things considered, at ScottishPower and Hydro-Electric, we have a great deal going for us. As time will tell.

ScottishPower HYDRO-ELECTRIC

The two Scottish *electricity* companies

Issued by Scottish Hydro-Electric plc and by Scottish Power plc and approved for the purposes of section 57 of the Financial Services Act 1986 by Charterhouse Bank Limited (save in relation to information specifically relating to Scottish Power plc) and by Samuel Montagu & Co. Limited and Noble Grossart Limited (save in relation to information specifically relating to Scottish Hydro-Electric plc). Charterhouse Bank Limited is a member of TSA and financial adviser to Scottish Hydro-Electric plc. Samuel Montagu & Co. Limited and Noble Grossart Limited are members of TSA and joint advisers to Scottish Power plc.

FINANCIAL TIMES CONFERNCES

FT CITY COURSE
8 October-26 November - London

The FT-City Course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

The twenty-four distinguished lecturers will consider such topics as the operations of the Bank of England and its relations with other central banks and the operation of the discount market. The syllabus will examine the changing role of the building societies, the organisation of the commodity markets, the International Stock Exchange and the structure of the UK insurance industry. The programme also looks at the new statutory systems of regulation and compliance. The course will comprise eight weekly afternoon sessions and will take place at the Museum of London.

CAPITAL MARKETS WORKSHOPS
17-19 October; 21-23 November; 5-7 December - London

The Financial Times/Price Waterhouse Capital Markets Workshops, now in their third successive year, continue to bridge a significant gap in management training. The programme provides intensive coverage, supported by case studies of capital markets activities, ranging from underlying concepts through the specific markets and instruments, to practical guidance on key aspects of management and control of the business including operations, risk management and performance measurement.

Because of the participative nature of the Workshops, places are limited in order to allow maximum benefit from each session. Speakers are drawn from Price Waterhouse's Capital Markets Group and a panal of key individuals from organisations involved in capital markets activities including: Jonathan Britton of Swiss Bank Corporation, London; Tony Cooper of Hambros Bank Limited; Bob Fuller of Charterhouse Bank Limited; Ariel Salama of Bankers Trust International Ltd; Richard Kilsby of Charterhouse Bank Limited; Richard Hines of Prudential Corporation plc; Chris Wingfield of Hill Samuel Bank Ltd and Jillian Nathan of the Chicago Board of Trade.

BUSINESS WITH SPAIN
Madrid - 19 & 20 November

The Financial Times fifth Business with Spain forum to be arranged in association with Expansion will focus on developing strategies for international competitiveness. Senior politicians and leading figures from Spain and the international business community will review the economic climate in Europe, the changes taking place in Eastern Europe and analyse the impact of slowing down of the Spanish ecomomy. The challenges for industry in the run up to the introduction of the Single Market in Europe will be reviewed as well as what needs to be done to develop internationally competitive enterprises and finance investment for growth.

All enquiries should be addressed to:
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ
Tel: 071-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 071-925 2125

CAL
MEMBER AFBD

TIME TO BUY GOLD?

CAL Futures Ltd
Windsor House
50 Victoria Street
London
SW1H 0NW
Tel: 071-799 2233
Fax: 071-799 1321

UK NEWS

TRADES UNION CONGRESS IN BLACKPOOL

Plans to limit industrial action likely to win votes

By John Gapper, Labour Editor

The Trades Union Congress is today likely to support proposals for a future Labour government to place strict limits on secondary industrial action, despite substantial opposition from left-wing unions.

Unions including the Transport and General Workers' (TGWU) and the Sogat print union have decided to vote in favour of
a motion supporting the opposition Labour Party's revised policy. Mr Norman Willis, TUC general secretary, yesterday
Mr Willis said the congress accepted that Mr Neil Kinnock, the Labour leader, would "have to say no to many groups, no doubt including us" if Labour was elected.

A TUC statement on employment law and a motion proposed by the National Communications union, both of which back Labour's changes are likely to be approved by a clear majority of the 78 affiliated unions at the Congress in Blackpool, north west England.

A substantial vote, however, for unions to be given more freedom to call sympathy action, and determine whether they elect senior officials is likely to cause concern to Mr Kinnock who will address Congress tomorrow.

A vote of 4.2m is needed for a majority on the Congress floor, and leaders of left-wing unions last night accepted that they were unlikely to achieve this. But some hope that Labour will still amend parts of its proposals.

Mr Ron Todd, TGWU general secretary, swayed his union's delegation to support the motion supporting Labour's policy as well as that from the Nalgo public service union which conflicts with parts of it.

Mr Todd said 95 per cent of the 108-strong delegation had voted to back both motions, which would allow him to make clear his support for Labour when he speaks today.

Mr Alan Jinkinson, Nalgo's general secretary, said balloting on industrial action was not at issue. But Mr Bill Jordan, Amalgamated Engineering Union president, said unions could not "afford to play politics with the future of the Labour movement's hopes and aspirations" by risking disrupting support for Labour.

The main elements of the Nalgo motion which worry the TUC and the Labour leadership are calls for Labour to "repeal and replace existing anti-union legislation" and allow "solidarity action" in support of other workers on strike.

Mr Kinnock is expected to tell Congress tomorrow that unions will not be able to expect favours from a Labour government. Party leaders believe it is essential to defuse the issue of its relations with unions before the election.

Poll blames managers for economic ills

LESS than 40 per cent of British people now believe that unions have too much power, and 58 per cent believe bad management is more to blame than unions for the country's economic problems, according to opinion polls published yesterday, John Gapper writes.

Mr Norman Willis, TUC general secretary welcomed the figures, published on the eve of the Trades Union Congress in Blackpool and said they contributed to a "far more confident mood" among unions despite the continuing decline in membership.

The number of people believing unions wield too much economic power, and thinking that they are run by "militants and extremists" has fallen sharply since 1978, when there was general support for legal curbs on their powers.

A Mori poll of 1,860 adults for the Sunday Times newspaper found that the proportion thinking that unions have too much power has fallen from 82 per cent in 1978 to 38 per cent today.

Investigators to meet Scargill to discuss allegation over funds

By Michael Smith, Labour Correspondent, in Blackpool

THE FOUR-MAN team investigating the National Union of Mineworkers' finances is to meet Mr Arthur Scargill, union president, this week for its first formal talks with him since its inquiries began into alleged misuse of union funds.

They aim to use the session, likely to take place today or tomorrow, to clear up matters raised by their recent fact-finding trip around Europe before writing a final report on the issue.

The report will be presented to a meeting of the national executive committee a week on Thursday. The meeting with the executive was scheduled after a three-hour discussion yesterday at which the executive was presented with an interim report by the investigating team.

The four investigators refused to say what was in the report. The length of yesterday's meeting suggests that there may be disagreements on who owns money donated during the 1984-5 miners' strike.

The funds, which amount to more than £1.4m, are in accounts controlled by the International Miners' Organisation, of which Mr Scargill is also president.

He says they were donated for use by miners throughout the world but a report by Mr Gavin Lightman QC, prepared at the request of the NUM, suggested that the money was intended for British miners and should be claimed by the union.

Legal action was subsequently taken against Mr Scargill and the International Miners' Organisation but this has been suspended while the investigation takes place. Mr Scargill repeated his view that he and Mr Heathfield had done nothing wrong in their handling of union funds during and after the pits dispute.

Trade unions urged to try Labour recipe for reform

John Gapper on the dilemma facing Britain's largest opposition party and its main union supporters

Mr Ron Todd, leader of Britain's largest union, best defined the problem facing the Labour Party and trade unions in altering employment law when he said: "The first line in a recipe for rabbit stew is 'catch your rabbit'," he said.
this year.

Mr Todd, general secretary of the TGWU general workers union, was talking at the Scottish Trades Union Congress of the need to elect the opposition Labour Party before laws could be altered but a similar problem has faced Labour itself. In order to change its policy convincingly, it has to secure the backing of most unions. Without that, doubts will remain about what Labour would actually do in office.

Until a few weeks ago, Mr Tony Blair, Labour's spokesman on employment, looked like an effective rabbit catcher. He had persuaded leaders of unions on the TUC general council to back a policy which marked a sharp change in their traditional attitudes towards union law. Most notably, centre-left unions had accepted his arguments.

The acceptance of limits on secondary industrial action and of the need to ballot on strikes as laid down by the 1984 Act were big changes. Another shift was mandatory election of senior union officials.

The process of change was a long one – a subtle shift of mood was signalled at last year's Labour conference when the old call for all Conservative legislation to be repealed was rejected in favour of abolishing only "anti-union" laws. The TUC last year backed ideas such as pre-strike ballots.

The cumulative effect of reforms, such as the removal of Labour support for the closed shop meant that unions were being asked to put many of the symbols of the 1980s behind them.

It is now uncertain that they will change their stance decisively enough to satisfy critics at today's key opening debate of the TUC in Blackpool. That uncertainty stems from an expert rearguard action mounted by an alliance of union groupings against Labour's carefully-agreed formulae.

Three constituencies have combined to oppose Labour's revised policy.

The first is the leaders of traditional left-wing unions, such as the Nalgo public services union and the MSF general technical union, which have been irritated at what they have seen as other unions "standing on their heads."

The second is among craft unions which have opposed the abrupt dropping of support for the closed shop. This was one of Mr Blair's first moves as Labour's employment spokesman and upset unions who have benefitted from it.

The third is activists in unions such as the TGWU who have manoeuvred against changes being handed down from above.

One curious aspect of the debate has been that both sides have cited international labour law standards in support of their position: the Labour loyalists relying on the European Social Charter and the left pointing to the conventions of the International Labour Organisation (ILO).

Britain has been an ILO signatory since it was formed by the great powers under the 1919 Treaty of Versailles and the left has made play of a ruling by an ILO committee of experts last year which criticised a number of aspects of British labour law, although ruling in favour of compulsory strike ballots.

The committee of experts backed both sympathy boycotts in support of primary disputes and strikes with mixed political and industrial motives. It also emphasised the right of unions to determine their own rules. Mr Blair insists the ruling is in line with his policy but the left disagrees.

The local government union has cited the ruling in its call for the freedom to organise sympathy strikes, such as local government workers backing ambulance staff. This would be outside Labour's formula of a second group of workers having to have a "direct occupational or professional interest" in the first dispute.

Labour does not want as radical a change as the 1971 Industrial Relations Act – which removed the idea of immunities in favour of a right to strike – but its proposed Industrial Court harks back to the National Industrial Relations Court of that era.

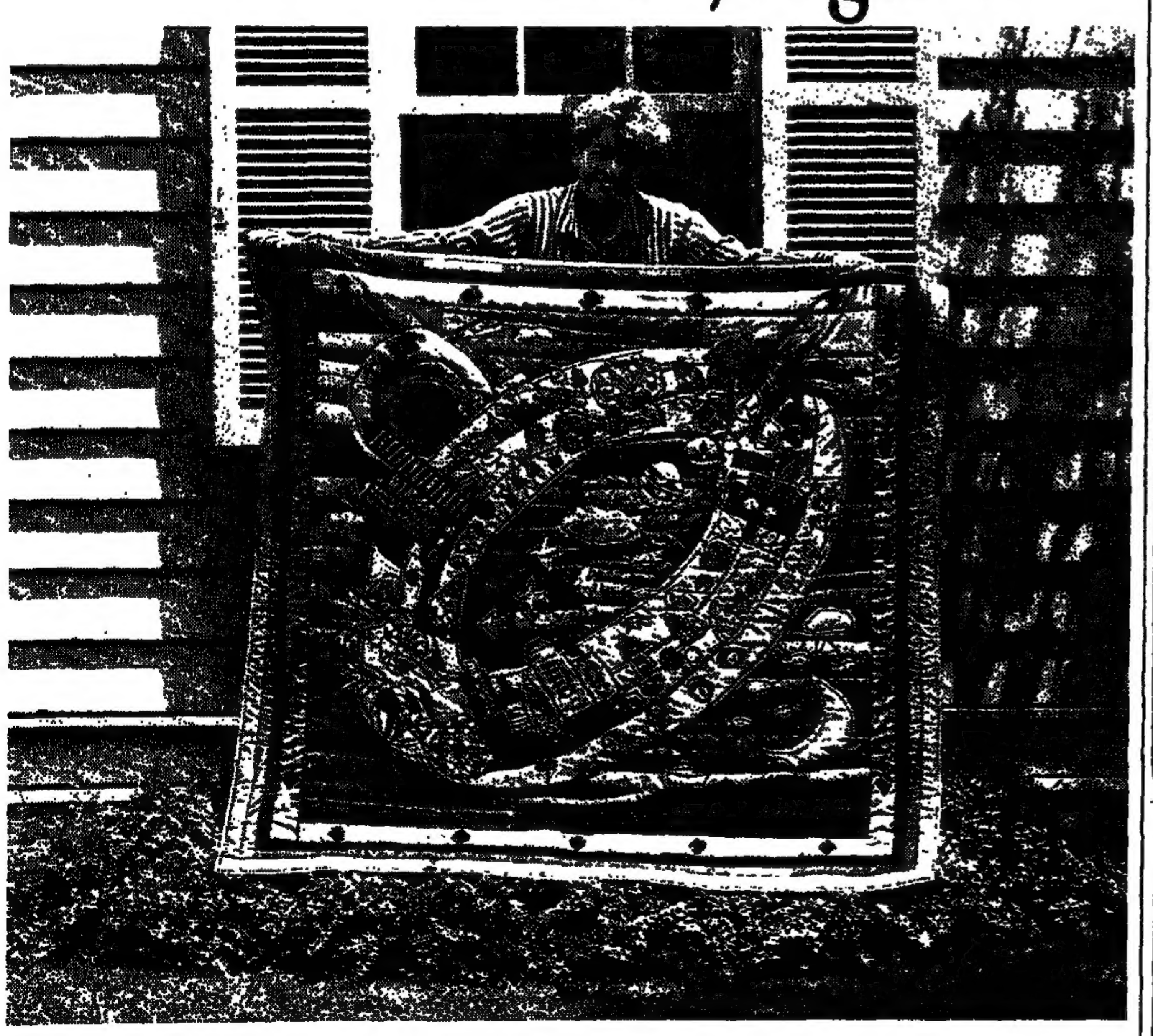
The unions backing Labour see it as fair exchange for gaining new rights for members and measures to enforce recognition, despite the break with the past it implies. Mr Tony Young, general secretary of the National Communications Union said: "Only fools and the dead never change their views."

The left, however, is unhappy at being told to conform in the interests of catching the Labour government rabbit.

Mr Colin Christopher, general secretary of the FTAT furniture workers union and a leader of the left's Campaign for Free Trade Unions thinks unions should resist being cajoled in this way. He said: "I don't think that would be honest. We have to stick to our beliefs and win hearts and minds over to them."

It has come down to which unions believe the Labour rabbit can be caught without them changing old stances – and accepting tighter legal restrictions than elsewhere in the world. It has been a hard idea for some to accept. Others see it as the price they must pay for their part in modern history.

Hello, neighbor.



We're all neighbors in the global community. Learning how to fit into the local fabric of the community is part of being a good neighbor.

At Komatsu, we make construction and industrial machines such as excavators, robots, lasers, presses: tools for a better life. At the same time, we make it our business to work for the good of the community. We support local partnership in business operations, joint ventures, trade exchanges, service programs: cooperation for a better world.

We don't know how the world will change in a decade, or even a year. But we believe that cooperation between neighbors can add harmony to the great pattern of life.

Cooperation for a better world.
KOMATSU
Head Office 2-3-6 Akasaka, Minato-ku, Tokyo 107, Japan
Phone. (03) 5561-2617 Facsimile. (03) 505-9662

CONTRACTS & TENDERS

PETROBRAS
PETRÓLEO BRASILEIRO S.A.

INTERNATIONAL COMPETITIVE BIDDING NOTICE

PETROBRAS has applied for a loan of about US$ 260 million in various currencies from the World Bank and intends to apply a portion of the proceeds of this loan to eligible payments under the Contract for construction and Assembly of the Petroleum Products Pipeline GUARAREMA-REPLAN located in Sao Paulo - Brazil, with an extension of about 153.5 km and diameter of 18 inches.

Pipelines Contractors from eligible countries, members of the World Bank, Switzerland and Taiwan, China, who have built API pipelines larger than 8 inches (1000 km in the past five years or 100 km in the past two years) and who are interested in this project may obtain the bid documents (which contain further qualification criteria) at the address below from September 15, 1990 upon payment of US$ 300.00.

PETROBRAS/SEGEN
Rua General Canabarro, no 500 - 5° andar
Rio de Janeiro - RJ - Brasil
CEP 20271
Tel: (021) 566-3660
Telex: (021) 40491
Fax: (021) 566-5949 or (021) 264-8655

INVITATION NO T-01/83

The peoples Democratic Republic of Ethiopia has received a loan from the African Development Fund in various currencies towards the cost of Road Maintenance Equipment and spare parts and it is intended that the proceeds of the loan will be applied to eligible payments under the contracts for the supply of equipment and spare parts.

The Ethiopian Transport Construction Authority now invites sealed bids from eligible bidders for the supply of Road Maintenance equipment and spare parts. Only Suppliers from member countries of the African Development Bank and African Development Fund state participants are eligible to bid. All Goods and ancillary services must have origin from member countries of ADB and ADF State participants.

Interested eligible bidders may obtain further information from one set of bidding documents to be collected during office hours from the Procurement Office Room No 108 upon payment of non-refundable Birr 50.00 per set. Each request for documents shall be accompanied by the Official name and address of the bidder.

The closing date for submission of bids shall be 10:00 hours local time on October 2, 1990 at which time the opening will take place in the Conference Room 4th floor of the Ethiopian Transport Construction Authority Head Quarters Building.

The Ethiopian Transport Construction Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the tender.

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY

RENTALS

KENWOODS RENTAL
QUALITY FURNISHED FLATS AND HOUSES
Short and Long Lets
23 Spring St., London W2 1JA
Tel: 071-402 2271 Telex: 25271
Fax: (071) 262 3750

LEGAL NOTICE

DOMINO CREATIVE SERVICES LIMITED

Registered number 1051230
Former company name. Domino Studios Limited
Nature of Business Design Consultants
Date of appointment of joint administrative receivers. 7 August 1990
Name of person appointing the joint administrative receivers:
Barclays Bank
54 Lombard Street
London EC3P 3AH

Ian Douglas Barker Bond and John Martin Iredale
Joint Administrative Receivers
(Office holder nos: 1298/01 and 2104) of
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

ART GALLERIES

PARKIN GALLERY
11 Motcomb St., SW1. 071 235 8144. Summer Exhibition Modern British Art. 1850-1990.
Until 29th September.

BOOKS

The WEEKEND FT publishes a Books Page every week.

To advertise here and reach the right market please contact Wai-Fung Cheung on 071-873 3576 or 071-407 5758

THE FARNBOROUGH AIR SHOW

Engine makers step up battle for dominance

By Paul Betts, Aerospace Correspondent

THE FIERCE battle for dominance in the emerging market for high-thrust commercial jet engines intensified yesterday at the Farnborough Air Show when Rolls-Royce announced the first successful test runs of its Trent engine and General Electric of the US unveiled a full-sized model of its rival GE90 engine.

Sir Ralph Robins, deputy chairman of Rolls-Royce, said the company was more than two years ahead of GE in the competition to win a dominant share of the sector. "We are in business, we are delivering power, all GE has got is a wooden mock-up," he said.

Mr Brian Rowe, head of GE's $6.8bn (£3.59bn) engine operation, claimed the US engine was setting a new industry standard.

He also disclosed that Ishikawajima-Harima Heavy Industries (IHI), Japan's pre-eminent maker of aircraft engines, had agreed to become a 10 per cent risk-sharing partner in the $1bn to $1.5bn GE90 engine programme.

GE's other partners include Fiat of Italy with 10 per cent and Snecma of France with 25 per cent. GE is also in talks with Volvo of Sweden.

IHI is also a risk-sharing partner in the Rolls-Royce Trent together with KHI of Japan, Hispano Suiza of France and BMW of West Germany.

Mr Frank Turner, head of Rolls-Royce's commercial engine business, said yesterday that outside risk-sharing partners accounted for about 17 per cent of the Trent programme but he said Rolls-Royce's target was to end up with such partners taking 20 per cent to 30 per cent of the programme.

Sir Ralph said the Trent programme would cost £450m, of which £50m had been spent to date.

Both the GE90 and the Trent are competing in the market for wide-body twin-engine medium to long-range airliners. The GE90 is especially targeted at the Boeing 767X, a wide-body aircraft which the US manufacturer has yet to launch.

Meanwhile Pratt & Whitney Canada, a subsidiary of United Technologies, said yesterday it had sold engines for 100 regional aircraft to American Eagle, the commuter arm of American Airlines, writes Paul Abrahams.

The company said the order, which could be for as many as 250 engines, was the largest single order ever awarded for one type of regional aircraft. It refused to indicate the value of the deal.

Brian Rowe with a mock-up of General Electric's GE90 engine, which he says is setting a new industry standard

Mock-up of US-Soviet jet displayed

By David Boggis

GULFSTREAM AEROSPACE, the US partner in a joint project with the Soviet Union to produce a supersonic business aircraft, has displayed a mock-up of the aircraft in public for the first time.

The Soviet partner is the Sukhoi design bureau, which has experience of building high-performance aircraft such as the Fu 27 fighter and Fu 24 attack aircraft, both considered formidable by Western air forces. Gulfstream has about 20 years' experience in building executive jets.

Mr Allen Paulson, Gulfstream chairman and chief executive, was confident that a market for the projected aircraft existed.

The mock-up presented yesterday represented an aircraft designed to carry 12 to 18 passengers over a range of 5,000 miles at Mach 2.0-2.2. By contrast with earlier design concepts, the present one is powered by three engines. However, Mr Paulson said that a twin-jet version remained a possibility.

BAe awaits Saudi decision on purchase of Tornados

By David White, Defence Correspondent

A SAUDI ARABIAN order from British Aerospace for a further 48 Tornado aircraft remains in doubt in spite of the military crisis in the Gulf.

The makers of the Anglo-German-Italian aircraft did not know whether or when Saudi Arabia might go ahead with the purchase, Mr Hans-Joachim Klapperich, managing director of Panavia, the company managing the Tornado programme, said yesterday.

Saudi Arabia has already purchased 72 Tornados. It was expected to order the additional 48 under a second arms package concluded with the UK two years ago.

However, the order was thrown into doubt earlier this year in discussions over Saudi priorities for arms supplies.

The £1bn-plus contract is crucial to the work programme of BAe and its partners. It may depend on whether the US is prepared to sell to Saudi Arabia the long range strike version of the F-15 fighter, the F-15E.

The Gulf crisis has already prompted the US to agree to send more F-15s, in other versions, to Saudi Arabia. The US has released 12 aircraft that the Saudis had on order from McDonnell Douglas as standby replacements, and is due to supply 24 more from the US Air Force inventory.

The US Administration has waived a restriction which limited to 60 the number of F-15s that could be held on Saudi territory. The restriction was set because of objections by the pro-Israeli lobby in Congress.

However, it is still unclear whether the US will allow the Saudis to have the F-15E, which Riyadh has sought for the past five years.

The US aircraft being supplied are air-to-air fighters without the ground-attack capability of the F-15E or the Tornado.

McDonnell Douglas is at the same time marketing its F/A-18 Hornet as a possible replacement for the remainder of Saudi Arabia's ageing fleet of 110 F-5 fighters – in competition with General Dynamics' F-16.

Doubts over the future Saudi market mean that the Tornado partners are looking to update work to occupy their manufacturing lines after 1992.

An order of 33 replacement aircraft for the RAF, which was to have provided the core of an "eighth batch" standard production run, was cancelled in June.

The consortium is awaiting an Italian decision later this year whether to buy a further 16 aircraft for electronic warfare and reconnaissance, and is hoping for an order from Thailand for 12 ground-attack Tornados.

Without these, Tornado production is expected to end at 929 aircraft, of which 820 have already been delivered.

Mr Klapperich said it was possible that the market for new Tornados would be undercut by the RAF selling off aircraft it no longer required. He predicted that the monthly production rate would slow from three to four aircraft at present to two to three aircraft.

Panavia is negotiating a deal to supply modification kits to update the RAF's ground-attack Tornados and to provide in-service support.

Deposits to be sought for some BT connections

Financial Times Reporter

BRITISH Telecom is to introduce a national system for rating the creditworthiness of new telephone applicants from the end of this month.

The scheme will mean that those rated as most likely to default on their bills will have to pay a deposit of up to £200. If users in this category subsequently pay their telephone bills without the need for reminders for four successive quarters, their deposits will be refunded.

Oftel, the telecommunications watchdog body, is aware of the scheme and is understood to want to be reassured that the system for establishing creditworthiness is fair. Otherwise, says BT, no objections have been raised so far.

Under the system, each new customer will have a code denoting creditworthiness, based on information supplied about the individual by Westcot Data, one of the UK "big four" credit reference agencies, as well as on other factors such as the type of area and accommodation in which the would-be subscriber lives.

Oftel's desire for reassurance about the assessment process is understood to relate to the type of information which might be placed in BT's hands.

Last week the Data Protection Agency served enforcement notices on the main credit reference agencies requiring them to limit creditworthiness information to that concerning the applicant only.

In the past, additional information provided – for example, that there have been bad payers in the apartment block in which an applicant might live – has led to credit being refused.

BT defends the checks on the grounds that there are some circumstances in which the risks of default have already been shown to be high, such as in the case of foreign student communities.

In any case, it argues, the national scheme will only replace a much more haphazard system in which BT's 27 telephone districts have run their own credit checks and deposit systems.

Production of cars and trucks falls sharply in first half

By Kevin Done, Motor Industry Correspondent

UK VEHICLE production in the first six months of this year fell sharply, led by a steep drop in the output of British truck makers and lower car output by Rover, Ford and Nissan.

Car production declined by 8.9 per cent to 653,612 in the face of lower demand in the UK new car market, industrial conflict at Ford's assembly plant at Halewood in Merseyside, and production interruptions caused by significant model changes at several car manufacturers.

Commercial vehicle output was 15.7 per cent lower than a year ago at 152,001, according to figures released by the Society of Motor Manufacturers and Traders.

Truck makers have been hit hardest by the recession in the UK vehicle market. Iveco Ford, ERF, AWD, Renault Truck Industries, Seddon Atkinson and Foden have all been forced virtually to halve production in the first six months of the year, compared with output levels a year ago.

Leyland DAF, the UK subsidiary of DAF of the Netherlands, has cut truck output by a third. And most truck manufacturers have been forced to cut their workforces and impose periods of short-time working.

UK sales of new trucks above 3.5 tonnes fell by 27.9 per cent in the first half of the year. Meanwhile new car registrations were 10.9 per cent lower than a year earlier.

Output by Vauxhall, the General Motors subsidiary, from its Luton and Ellesmere Port assembly plants was 20 per cent higher in the first six months than a year ago.

Ford car output was hit by industrial conflict at its Halewood plant in the early months of the year. Production was also affected by the changeover of assembly to the new generation Escort/Orion.

Nissan production has been hit by the phasing-out of the old Bluebird model and the introduction of its Primera car, due this month.

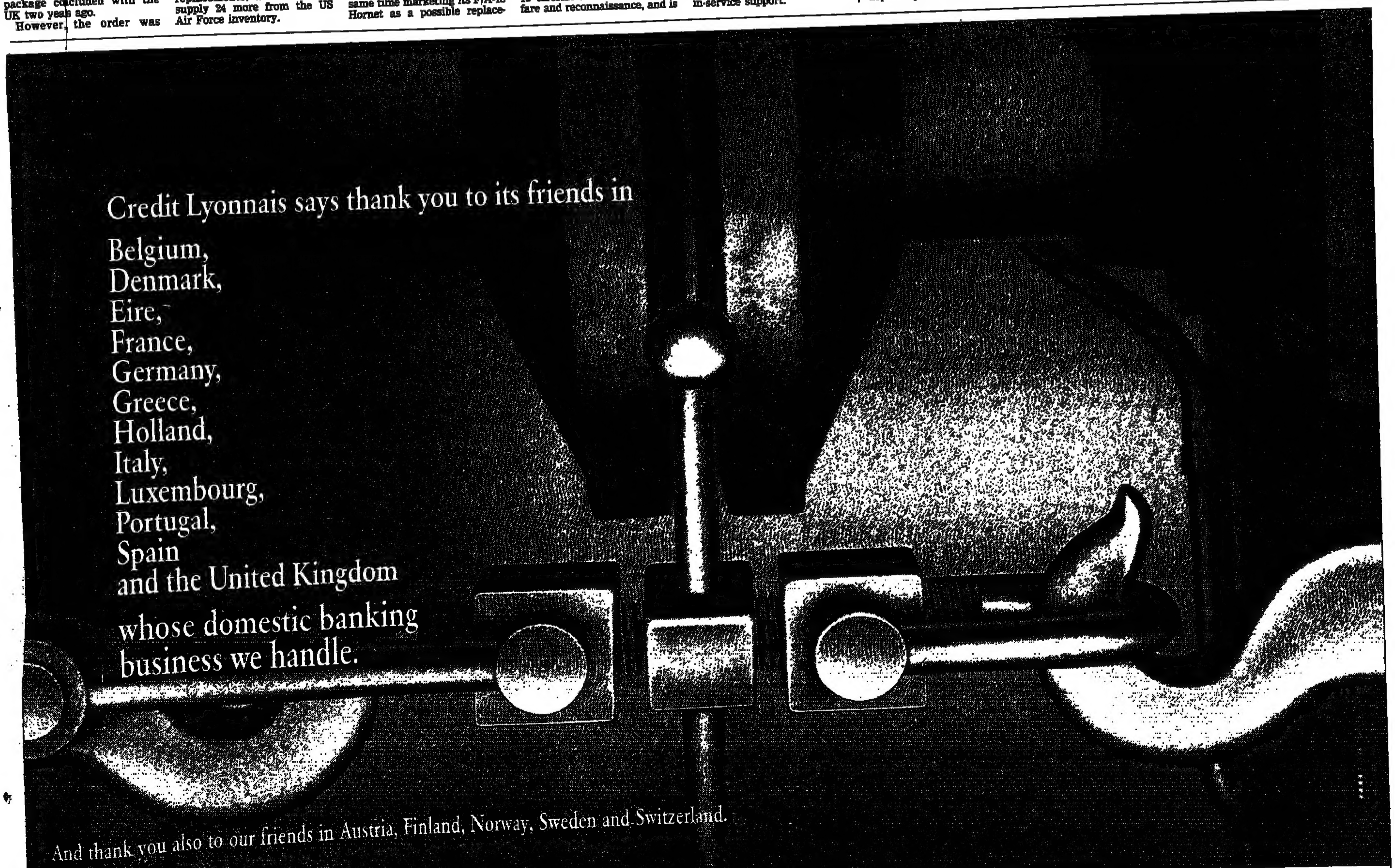
Rover has been gradually building up output of its new 200/400 and Metro car ranges, which were launched in recent months, but it has been hit by sharply lower demand for its older models.

UK VEHICLE PRODUCTION

	1990 Jan-June	1989 Jan-June	1990/89 % Change
CARS	653,612	717,544	−8.9
Total	224,149	265,725	−15.6
Rover (British Aerospace)*	176,389	216,713	−18.6
Ford	130,957	108,946	+20.2
Vauxhall (General Motors)	65,538	53,685	+22.0
Peugeot	27,147	42,706	−36.4
Nissan	24,279	24,914	−2.5
Jaguar (Ford)	1,721	1,726	−0.3
Rolls-Royce (Vickers)	732	598	+22.4
Lotus (GM)			
COMMERCIAL VEHICLES	152,001	180,287	−15.7
Total	70,127	78,519	−10.7
Ford	21,150	24,411	−13.4
Rover (British Aerospace)**	18,724	20,652	−9.3
Leyland DAF (DAF)	17,262	21,060	−18.0
IBC Vehicles (GM/Isuzu)††	15,832	16,126	−1.8
Vauxhall (GM)†	3,691	8,877	−58.4
Iveco Ford	1,223	2,669	−54.2
ERF	1,123	2,603	−56.9
AWD	704	1,584	−55.6
Renault Truck Industries	587	1,117	−47.4
Seddon Atkinson (Enasa)	479	989	−51.6
Foden (Paccar)			

*Includes Range Rover/Discovery. **Car-derived vans and Land Rovers. †Car-derived vans. ††Medium and micro vans sold in Europe variously under Vauxhall, Isuzu, GME, Bedford and Suzuki names.

Source: Society of Motor Manufacturers and Traders



CREDIT LYONNAIS GROUP
THE POWER OF POSITIVE BANKING THROUGHOUT EUROPE.

CL CREDIT LYONNAIS UNITED KINGDOM

UK NEWS

Thatcher says curbing Bonn is 'up to EC'

By Alison Smith

THE RESPONSIBILITY for ensuring that a re-unified Germany did not totally dominate the European Community lay with the other European countries, Mrs Margaret Thatcher said yesterday.

She insisted that this could be done by all the member states putting forward their own positions in EC discussions. "I've sometimes seen, when we've been negotiating in the Council of Ministers, that some of the smaller nations sometimes will say: 'If France and Germany agree, the rest of us should agree'. And I have said 'No'. You each put your own viewpoint and you each analyse the situation," she said.

In an interview on TV-am's Frost on Sunday programme, the Prime Minister warned that Germany was far more likely to be dominant in a federated Europe – by virtue of its 80m population – than in the Europe of sovereign nation states that Britain wished to see.

She also looked to the expansion of the EC through the membership of Eastern European countries such as Hungary, Poland and Czechoslovakia to make it less likely that one country would dominate, adding that in joining the EC they would not wish to lose the sovereignty they had only just reasserted.

Mrs Thatcher said that there would need to be "a tremendous amount of adaptation" from the Community, to cope with East Germany's environmental problems and large-scale agricultural production.

But her reference to a "brief transition period" before East Germany was required to meet EC standards for goods and services and the environment, as well as complying with the Common Agricultural Policy, made it clear that she expected important changes in East Germany as well.

On the Soviet Union, the Prime Minister said that she thought "the worst is over," and that President Gorbachev did not face insoluble problems.

She also sounded slightly more encouraging about the possibility of British aid to the Soviet Union, within the context of the Soviet people's new realisation that they had to work together in achieving economic freedom.

The British Government has been cautious about giving aid to the Soviet Union along the lines of the "know-how" funds for Poland and Hungary, because of the likelihood of its disappearing into "a black hole," as one official put it.

Major keeps interest rates squeeze in place

Rachel Johnson finds much wishful thinking in the latest hopes of interest rate cuts

MORTGAGE holders are becoming tipsy with anticipation. Industry is begging for a cut in interest rates and the financial markets are betting that there will be a 1 per cent cut by Christmas.

But Mr John Major, the Chancellor, is not known for sudden expansive gestures. He is naturally tight-fisted where interest rates, the Government's chosen weapon against inflation, are concerned.

Yet Mr Major's first week back at work in the Treasury after his summer holiday coincided with hints and rumours of imminent cuts to which the financial markets have predictably overreacted.

Hopes for a base rate cut have come quickly but not out of the blue. Sterling has been a favourite on the foreign exchanges during the Gulf crisis, bolstered by its high interest rates and its re-emergence as a petro-currency. Its strength has tightened the profit squeeze on UK companies and made exporting that much more difficult. It has come within two cents of the $2 level and seemed comfortable at DM3 apart from a dip last Friday.

Even without sterling's help, the Government's long-administered monetary squeeze appears to have been paying off. Monetary growth has slowed down to its target rate of expansion, and today's data for retail sales and borrowing are likely to show the UK consumer in an equally subdued state. Unemployment is rising, and business confidence, as documented by the Confederation of British Industry, is at its lowest ebb since the recession of 1981.

John Major: his return from holiday was greeted by hints of base rate cuts

Almost without exception, the data has indicated a marked slowdown in activity in the the third quarter, and the markets are discounting a cut of 1 per cent by Christmas.

But in spite of all the speculation and hope, the Treasury maintains that its monetary strategy is unchanged. Interest rates will come down when "the time is right" and sterling will join the exchange rate mechanism (ERM) when the UK's inflation rate converges on the European average.

Mortgage holders and UK companies could argue strenuously that the time is now right.

But inflation in the UK is not converging on the European average; it was still rising at a rate of 9.8 in July and is set to go over 10 per cent because of petrol price rises in August.

But analysts and the markets are still betting that the political imperative to cut rates by Christmas will win the day. With a general election likely in June or October next year, "it is important that as much good news is in the public domain by June and maintained until October", says Mr Steven Bell, of Morgan Grenfell's futures and options research team.

"The timing is determined by the Halifax [Britain's biggest lender] mortgage rate fixing system. This is set each January and takes effect in April. As a result, this year's fixing avoided the mortgage rate increase in the first quarter. Unless there is a cut of at least 1 per cent by the Halifax 2m borrowers will face a double increase in payments," he says.

Sterling

But worse than upsetting mortgage holders, from Mr Major's point of view, would be to cut interest rates only to have to raise them again soon after.

That could be forced on the Chancellor if the Bundesbank, the West German central bank, raised its rates. The bank meets on Thursday and could do so then although that is considered unlikely.

Alternatively, a multitude of domestic reasons such as a bad trade figure or a sudden run on sterling could have the same effect.

With sterling's plunge last Friday fresh in his mind, a base rate cut is likely to continue to be handled with great caution by the Chancellor.

NEWS IN BRIEF

Call for new business airport

A CALL for the airfield at RAF Northolt, on the A40 west of London, to be developed as a new airport for business traffic comes in a report published today by the right-wing Adam Smith Institute, writes **Alison Smith**.

The report, Take-Off For Business, argues that the air traffic congestion at Heathrow and Gatwick is already so serious that, unless further facilities are provided for business traffic, British business could lose out in a wider European market.

The report says Britain must "consider the business aircraft now flying into these new markets. Unless adequate provision is made in the London area . . . we will see a business exodus from London and the UK into Europe in the 1990s."

The paper comments that although sites such as Farnborough and Biggin Hill could help meet demand, only Northolt is well-enough connected with London by road and rail links to meet the need for new facilities for business traffic.

The report says several companies have expressed an interest in putting money into new facilities at Northolt, if the Ministry of Defence agreed to allow commercial expansion of the airfield.

Compensation rules attacked

NEW RULES on recouping the full costs of social security benefits paid to those receiving compensation for injury or disease because of someone else's breach of duty or negligence were condemned yesterday by Mr Michael Meacher, the opposition social security spokesman.

Mr Meacher said the scheme, passed in legislation last year, would enable the Government to take back even amounts awarded for pain and suffering.

Under the old rules, payments could be deducted only from damages awarded to cover "any loss of earnings or profit."

The new arrangements apply to compensation awarded from today onwards, where an injury occurred at or after the beginning of 1989.

Three companies in telecoms initiative

By Hugo Dixon

TELECOMMUNICATIONS engineers from GPT of the UK, Siemens of West Germany and Stromberg-Carlson of the US have in the past two months begun work on designing the next generation of computerised telecommunications exchanges.

When the project is in full swing, 8,000 engineers from the three companies will be engaged on it.

Designing advanced telecommunications exchanges for the world market is the most significant co-operation agreement to emerge between the three companies since Siemens took a 40 per cent stake in GPT, which owns Stromberg-Carlson, last year as part of its joint acquisition of Plessey with the UK's General Electric Company.

At the time, Mr Karl-Heinz Kafke, Siemens chief executive, said the cost of developing the next generation of exchanges, put at between $1bn and $2bn, was too high to be borne by one firm.

The new switches or public exchanges are being designed in an evolutionary way so they are compatible with GPT's System X exchange, Siemens EWSD model and Stromberg-Carlson's DCO switch. They will be more powerful than the current generation because, as well as switching voice traffic, they will be able to handle video pictures and almost limitless data traffic.

The project is expected to be complete by 1995, with the aim of having such "broad band" switches on the market before any other group in the world. Siemens is already experimenting with the prototype in Berlin.

Of the 8,000 engineers, 5,000 will be from Siemens, 2,000 from GPT and 1,000 from Stromberg-Carlson.

Mr Gerald Ronson

IN WEDNESDAY'S FT we carried a report of Mr Justice Henry's remarks on sentencing three of the defendants in the Guinness trial. We reported the judge as saying that Mr Gerald Ronson had told the DTI inspectors that an indemnity against loss had not been proposed to him. This was incorrect.

We apologise for our error and acknowledge that in making no order against Mr Ronson for payment of the costs of the DTI inquiry, Mr Justice Henry referred specifically to the fact that Mr Ronson had, by his commendable frankness, assisted the inquiry.

Probation officers seek sentencing change

Financial Times Reporter

SENTENCING POLICIES of UK courts must be changed radically if the use of custody is to be reduced and the pressures which led to this year's jail disturbances are to be lessened, the 7,000-strong National Association of Probation Officers argues.

In its submission to Lord Justice Woolf's inquiry into the disturbances, NAPO says excessive and inconsistent use of custody, degrading conditions, the operation of the parole system and a lack of constructive activities within jails have all contributed to growing discontent and disturbances inside prisons. The prison population is expected to reach 58,000 by the end of the decade.

NAPO describes as "flawed and misplaced" the Government's £1.3bn programme to build more prisons in response to the difficulties.

The association proposes a package of reforms to include statutory curbs on lengths of sentencing and remands into custody, local authority-based crime prevention initiatives, a review of the system for appointing the judiciary and an extention of existing non-custodial punishment.

The trend to longer sentences and the high proportion of blacks in the prison population are also seen as particular sources of concern.

However, the NAPO submission says it fears that the Woolf inquiry's scope will be more restricted than many originally envisaged, and that sentencing will be ignored.

The Prison Reform Trust, in its submission to the inquiry, calls for new legislation to promote prisoners' rights. It calls for minimum standards to ban enforced cell sharing and guarantee work, education, exercise and adequate sanitation.

Planning a business trip to Asia? It makes good business sense to focus on Bangkok. Thailand's economy is booming. And Bangkok's unique geographical position at the centre of Asia makes it the perfect starting-off point. It is also home base for Thai International, so we have more flights in and out of there than any other airline. If you're wheeling and dealing in Asia, fly with Thai – the best airline around. Thai. Centuries-old traditions. Innovative thinking. State-of-the-art technology.
Thai
We reach for the sky

CBI criticises scheme to deduct poll tax from pay

By Richard Evans

THE GOVERNMENT is to be asked to simplify its controversial proposals under which employers would collect poll tax payments from employees who default. Up to 2m attachment-of-earnings orders are expected.

Later this month the Confederation of British Industry will send Mr Chris Patten, Environment Secretary, ideas for simplifying poll tax regulations on deduction of payments from earnings.

The move follows growing pressure from the CBI and organisations representing small businesses and from payroll processing experts. They fear that the burden and costs of poll tax collection could become overwhelming for businesses.

Mr John Pollard, a CBI council member chairs the committee drawing up the report, said yesterday: "While we accept the scheme in principle, our aim is to minimise the burden on employers, and we shall be making recommendations designed to make the administrative work easier. Local authorities would also benefit from a more cost-effective system."

At present, employers across the country handle about 50,000 attachment-of-earnings orders each year, mainly for civil debts. The CBI estimates that up to 2m poll tax defaulters – or one in 13 of the working population – could have their earnings docked in this way.

A local authority will advise employers of the total poll tax debt outstanding, but it will be up to the company to discover

Chris Patten: will receive CBI's collection proposal

from tables provided how much each individual owes. Payment will vary from council to council, and a company could easily have employees living in a dozen or more local authority areas.

"It will be an administrative nightmare unless something is done to simplify it," one payroll expert said.

The timescale for payment by companies is also tight, but the Government has hinted it will be prepared to extend the present limit of 14 days in which to make deductions and send them to local authorities.

There is also criticism of the unreasonable costs placed on employers by the present proposals. Mr Pollard said: "The Environment Department is proposing that employers should charge defaulters £1 for each deduction, but this will not meet all the costs involved."

He added: "Employers are again being asked to act as collecting agents for the state, but, instead of making the payment to one agency, they are being required to send payments to a maximum of 367 local authorities.

"They will also undoubtedly incur the displeasure of any employees from whom deductions are made, with a consequential adverse effect on industrial relations," he added.

Warning on cost of Taurus to companies

By Our Financial Staff

THE likely cost to listed companies of the new Taurus electronic stock market settlement system must be urgently addressed by the International Stock Exchange, according to an independent committee of industrialists.

The third annual report of the Listed Companies Advisory Committee expresses concern that the effect of Taurus on Service Registrars' charges has not yet been quantified.

However, the report also says that in general, the key concerns listed companies about Taurus have been "addressed and largely resolved."

None the less, 15 industrialists, headed by Sir Denys Henderson, ICI chairman, point out that there is "very real concern among companies about how the intricacies of Taurus can be simply explained to private investors."

The committee says it regrets the decline in private investment in shares and that it is vital that the financial community should find ways of improving private investors' access to dealing services and of lowering the costs.

In addition, the committee urges the Stock Exchange and the Confederation of British Industry taskforce on wider share ownership to mount a joint campaign against the "imbalance" whereby capital gains tax is charged on share sales even when the proceeds are immediately invested in other equities. It points out by way of contrast that when shares are owned through unit trusts and investment trusts, capital gains tax on such switching is deferred.

Elsewhere, the listed companies committee deals with the new Financial Reporting Council, saying that it supports a more effective setting of accounting standards, but is concerned about the sharp rise in costs, which it has discussed with the IRC chairman, Sir Ron Dearing.

"There will need to be strict budgetary controls, and Sir Ron has assured us that these will be put into place," the committee says.

Doubts over programme for change

Raymond Snoddy looks at BBC plans for independent production

BBC production staff experienced the ultimate irony last week as senior executives made two simultaneous significant announcements.

The first was that the corporation, in line with government insistence, intended to meet its target of putting out 25 per cent of its original programmes, minus exceptions such as news and news-related programmes, to the independent production sector by 1993.

The transfer to independent producers of 1,400 hours of programmes worth more than £100m currently made by BBC staff would lead to the closure of 25 per cent of BBC studio capacity and to the loss of several thousand staff jobs, although management insisted they did not know how many.

However, in almost the same breath the BBC executives announced the results of a study by Ernst & Young, the management consultancy, into the relative costs of making BBC and independent programmes.

Arguments on the issue have raged for years. The small but growing band of independents say they are cheaper, leaner and more cost-effective than the more moribund and bureaucratic BBC, with its 28,000 staff and high overheads. Not according to Ernst & Young.

The consultants found that overall production costs in the independent sector were 15 per cent higher than in the BBC, mainly because rates of pay for every rank from senior producers to secretaries were higher than within the corporation and because independents tended to use a higher proportion of senior staff.

In total production support, overheads and production fee, which includes independent's profit, the independents were 40 per cent more expensive. The BBC was more expensive on design, the use of small studios and overseas travel.

Ernst & Young recognised the difficulty of assessing an industry in which every programme is different. However, it looked in detail at the costs of 20 programmes, 10 made by independents and 10 made by the BBC.

In the case of the BBC, each programme was costed for production by an independent. Ernst and Young estimates of total costs, including share of overheads, was included.

The same happened the other way around with independent productions.

In two cases more direct comparisons were possible because independent producers had already made individual programmes for two BBC programme series: QED, the popular science series and Everyman, the religion-related series.

The results of the detailed analysis of different programme types showed that in some cases the BBC was cheaper, in others the independents were and in some there was no difference.

Costs in five sample documentaries examined were virtually identical and studio-based features were also evenly balanced. The six light-entertainment programmes studied were 20 per cent more expensive when made by independents.

Overall the differences in costs of making different types of programmes tended to cancel each other out and the total costs, including the production fee, for the two sectors was very similiar.

" There is therefore no evidence to suggest that the BBC will be saving money as the proportion of its output commissioned from independents increases," Ernst & Young concludes.

The consultants went on to argue that, because many BBC costs are fixed, the short term effect of a move to the independents could be an overall increase in BBC costs.

Mr Paul Styles, director of the Independent Programme Producers Association, described the Ernst & Young report as "a draw."

The BBC said it would not use the study for last minute lobbying to try to overturn the 25 per cent independents quota in the Broadcasting Bill now in the House of Lords.

FT SATELLITE MONITOR

Number of receiving homes exceeds 1m

By Raymond Snoddy

THE number of homes which can receive satellite television in Britain exceeded 1m for the first time in August, according to the latest FT Satellite Monitor.

The new total – 1,059,000 – represents an increase of 121,000 over July and suggests continuing interest in satellite television through the summer in spite of unusually hot weather.

The bulk of the increase is accounted for by new homes receiving British Satellite Broadcasting which the Monitor now puts at a total of 156,000.

Most of the BSB figure is accounted for by a rapid increase in the number of communal systems where a number of households can receive the channels from a single aerial fixed to the roof of a block of flats. Not all communal systems can receive all BSB channels.

August was not a good month for personal installations and the increase given for the month for Mr Rupert Murdoch's Sky Television and the other channels on the Astra satellite was 15,000.

That is similar to the 16,000 increase in personal Squarials and dishes for the month at BSB, a consortium in which Pearson, publisher of the Financial Times, has a significant stake. The latest estimate for BSB homes with their own receivers is now 65,000.

The new overall total of more than 1m means that since August 1989 more than 900,000 new homes have been added to the satellite television total and that one in 20 British homes is now receiving multi-channel television direct from satellite.

When those receiving Sky and BSB through cable television networks are added to the total, people in 6.5 per cent of British homes are viewing the new channels.

As a result of recent installations, Continental Research, which produces the Monitor for the Financial Times, is now increasing its forecast for the end of the year. The Monitor is based on more than 4,000 interviews a month.

Continental predicted that by the end of this year there would be a total of 1.3m dish homes, excluding cable distribution. The market research company is now predicting 1.6m homes by year-end including homes on new communal systems.

Next month, in the 19th monthly Monitor, revised forecasts will be given for the 1991 to 1994 period.

There has, however, been a further small decline in the size of the potential market – those who say they will certainly or probably install a dish or Squarial. Last December the total market potential was 3.8m. By last month it had fallen to 1.7m.

Mr John Clemens, chairman of Continental, says he expects that "the market size will start to rise again towards last December's figure as heavy advertising and promotion starts again from both Sky and BSB in the pre-Christmas months."

Interest seems to be strongest in Scotland, with 13.8 per cent interested in August – the same percentage as last December.

Among those who say they are interested in installing satellite television there still seems to be a stand-off between Sky and the other Astra channels such as MTV, Children's Channel and Lifestyle, and BSB.

Approximately one third says it will go for Sky, one third BSB and one third is undecided.

Since May, however, there has been a modest move in favour of BSB – from 31 per cent then to 33 per cent last month. Over the same period the Sky preference has fallen from 38 per cent to 35 per cent.

Action group for asthmatics launched

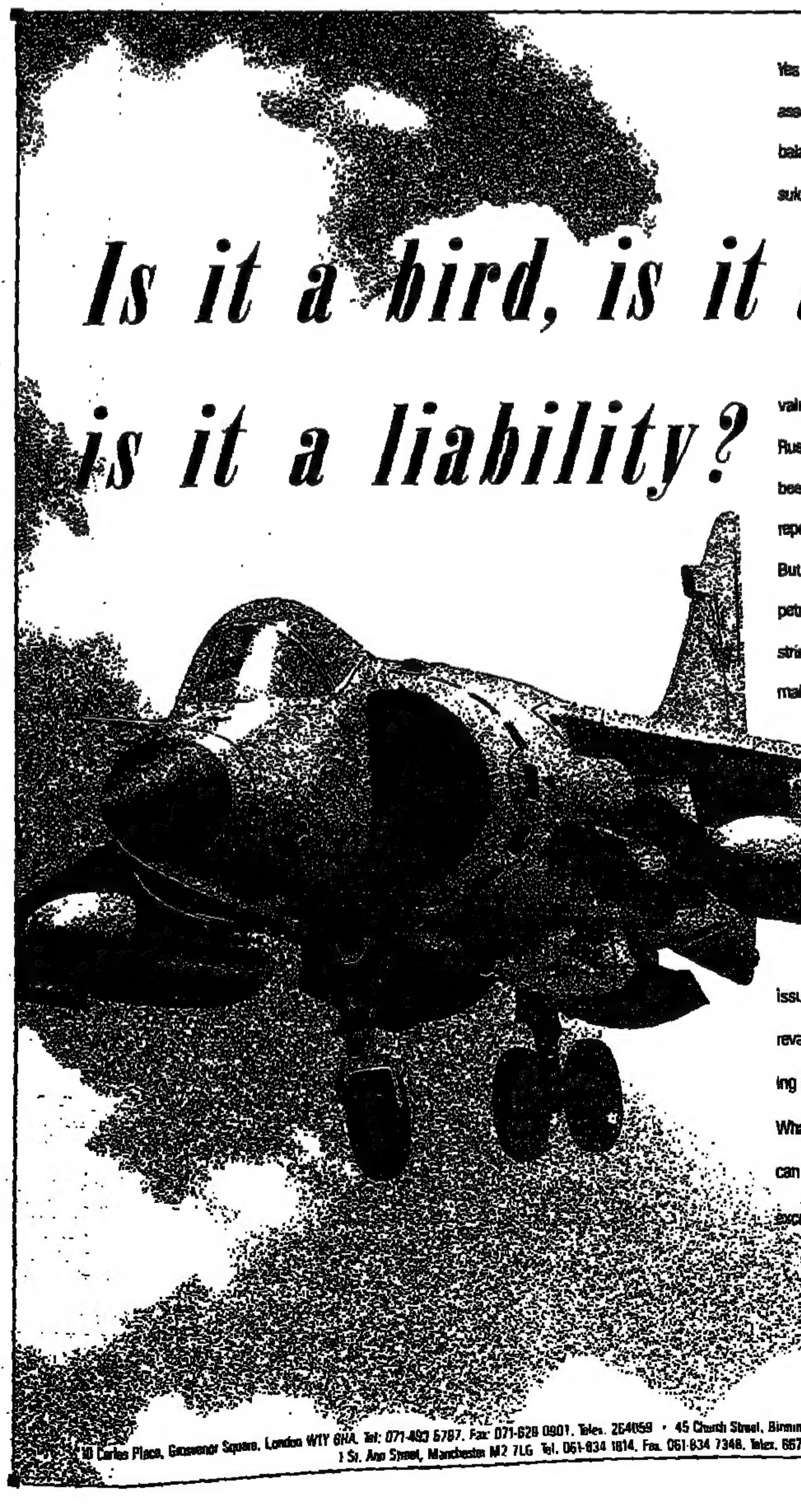
By David Fishlock, Science Editor

ASTHMA is an underrated and under-managed disease that costs Britain over 2,000 lives and the National Health Service £400m each year.

Such is the message of Action Asthma, a group launched today in London. Professor Tim Clark, chairman, said the organisation, comprising chest physicians and GPs, aimed to educate doctors and patients in how best to manage asthma so that patients could lead "a life free from symptoms, with as near normal lung function as possible."

The case rests upon a report commissioned from the pharmaceutical economics group of Glaxo Pharmaceuticals (UK), which showed that 2,213 people died in the UK from asthma in 1988 – 24 per cent more than in 1981. In 1989, 60 per cent of the nearly 2,000 who died were female. One death in ten occurred in people under 35. Thus the incidence appears to be increasing, in spite of better medicines and a better understanding of the disease.

The report says asthma often remains undiagnosed or is mis-diagnosed as bronchitis or another chest condition.



Yes it's a plane, but if it's not accurately valued as an asset, it could end up causing a lot of damage to the balance sheet. For in today's world it's financial suicide for any company to be ignorant of the true value of its assets. And that's where Edward Rushton Son & Kenyon come in. Since 1855, we've been supplying and maintaining accurate valuation reports for all kinds of businesses all over the world.

But expert valuation, in fields as diverse as petrochemicals and the world of art, isn't the only string to our bow. We can also help your company make the best use of existing assets in the property market or help you expand your property portfolio.

We can advise on complicated issues brought about by the current rating revaluation and we are specialists in loss assessing and consultancy.

Whatever areas of our expertise you tap into, you can be sure of the same standards of professional excellence throughout. A service, in fact, to value.

Edward Rushton

The NAME TO VALUE

10 Carlos Place, Grosvenor Square, London W1Y 6HA. Tel: 071-493 6787. Fax: 071-629 0901. Telex. 264059 • 45 Church Street, Birmingham B3 2RT. Tel: 021-212 4050 Fax 021-212 1018.
1 St. Ann Street, Manchester M2 7LG Tel. 061-834 1814. Fax. 061-834 7348. Telex. 667429

CHOOSE AN FT DIARY TO SUIT YOUR POCKET.

It's hardly surprising that the FT Diaries have a worldwide reputation for the highest standards in both quality of presentation and content. No other diary draws on such an authoritative source as the Financial Times.

Our prestigious range of pocket diaries continues to set the standards others follow, exemplified by the quality of the materials used – luxurious thick paper, heavy gilt edges, non-fraying marker ribbons, personalisation of your name in rich gold blocking.

The FT Pocket Diary. 34 information-packed pages detail 26 international business centres including local business hours, currencies, stock exchanges and public holidays plus hotels, restaurants and airports. Comprehensive UK coverage ranges from airports and car hire to theatres and cinemas. The week to view diary runs from 3rd December 1990 to 5th January 1992 giving you an extra month.

The FT Pocket Diary comes in three bindings to match the FT Desk Diary – rich black leather, burgundy bonded leather and black leathercloth.

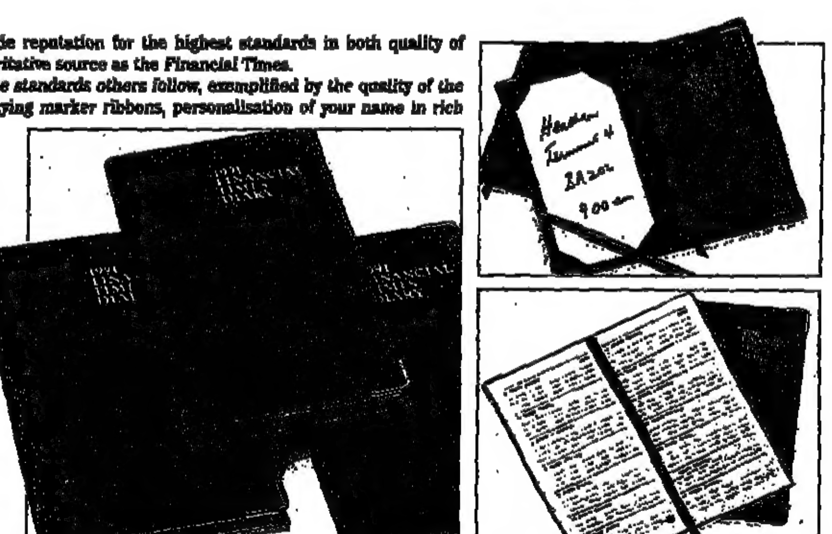
The FT Pink Pocket Diary with its unique landscape format, week to view diary and FT pink pages is bound in black bonded leather.

The Improved FT Wallet. New slimline, single-fold design in black or burgundy leather with matching silk lining. The wallet section holds bank notes and credit cards. Gilt corners ensure greater durability.

Available in two sizes to take either the FT Pocket Diary or FT Pink Pocket Diary.

The FT Slimline Pocket Diary. Covered in black simulated leather with FT-pink paper and matching ribbon, the FT Slimline Pocket Diary's fortnight to view format allows you to check your comings and goings at a glance – ideal for the executive on the move.

The FT Wallet Diary. Features the FT Pocket Diary bound into a beautiful gilt-cornered black leather wallet, lined in black moiré silk. It also comes with a jotter pad and a pocket for bank notes – you can't get more useful than that.



FT COLLECTION – A QUALITY PROPOSITION.

What we've shown here is but a small sample of the wide range in the FT Collection, so why not send for the FT Collection colour brochure and see for yourself – it is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002, or write to FT Collection, FT Business Information Ltd., 50-64 Broadway, London SW1H 0DB, or send your business card.

FIRST IMPRESSIONS THAT LAST.

All items will be doubly welcome if they are personalised with initials and/or surname in high quality, long-lasting, gold blocking. It's this kind of personal touch that enhances the pleasure and worth to the user.

THE WORLD'S MOST APPRECIATED BUSINESS GIFTS.

Our business gift services include • Gold blocking of your logo • Up to eight publicity pages in the diaries and personal organiser • Direct despatch of your gifts to the recipients together with your compliments slips or greetings cards • Samples.

We will even reserve your choice of FT Collection gifts if you are unable to finalise your gift list early in the year.

LARGE ORDER DISCOUNTS.

Furthermore – order 25 items or more from the FT Collection and you will qualify for discounts of up to 25%.

DISTINCTIVE GIFTS THAT MAKE GREAT COMMERCIAL SENSE.

Contact us now on 071-799 2002 for more details on our business gift services, or write to FT Collection, FT Business Information Ltd., 50-64 Broadway, London SW1H 0DB.

FT COLLECTION

FT Business Information Ltd., Registered Office Number One, Southwark Bridge, London SE1 9HL. Registered in England No. 980896.

ORDER FORM 701094

Please tick where applicable.

☐ Please send me the FT Collection Brochure and Order Form.

☐ I am interested in using the FT Collection as business gifts, please send me details.

☐ I wish to place a firm order as detailed below.

Name (Mr/Mrs/Miss/Ms) ______ (PLEASE PRINT)

Position ______

Company ______

Address ______

______ Postcode ______

Telephone ______

FOR YOUR FREE FT COLOUR BROCHURE RING 071-799 2002 NOW!

Please return to:
FT Collection,
FT Business Information Ltd.,
50–64 Broadway, London SW1H 0DB.
Tel: 071-799 2002. Telex: 927 282 FINTIM G.
Fax: 071-799 2268.

How to complete your order.

1. Indicate the quantity and type of diary you require.

2. Indicate how many items you wish to have gold blocked with your initials and/or surname.

CODE	PRODUCT	UK £	QTY	EUROPE £	QTY	REST OF WORLD SURFACE £	QTY	AIRMAIL £	QTY	SUBTOTAL £
	1991 DIARIES									
7031 0457	Pocket Diary, black leather	11.16		11.81		11.59		14.19		
7045 0481	Pocket Diary, burgundy bonded leather	10.29		10.86		10.73		13.33		
7202 0561	Pocket Diary, black leathercloth	9.29		9.81		9.40		10.79		
7274 2141	FT Pink Pocket Diary	10.86		11.30		10.98		12.98		
7300 2329	Wallets: Black (to fit PD + PC)	18.79		20.08		19.87		21.28		
7304 2330	Burgundy (to fit PD)	18.78		20.08		19.87		21.28		
7318 2336	Black (to fit PP)	21.78		22.30		22.09		24.06		
7390 3011	Wallet Diary	17.06		17.54		17.33		19.32		
7385 3006	Slimline Pocket Diary	9.05		9.41		9.20		10.59		
	PERSONALISATION									
7108 0883	Initials only	1.95		1.95		1.95		1.95		
7082 0882	Initials and Surname	3.45		3.45		3.45		3.45		

All prices shown are inclusive of postage and packaging.
Please attach any initials and/or surname details on a separate sheet.

Sub-Total £
Plus 15% VAT (UK only) £
Total £

HOW TO PAY.
BY PHONE. You can pay by credit card by placing your order on our Credit Card Order Line 071-799 2274.
BY FAX. If you wish to pay by credit card you can fax this order to us on our Credit Card Fax Order Line 071-799 2268.
BY MAIL. Return this order form with your payment to the address given above.
Payment must accompany your order, and cheques should be drawn on a UK bank account made payable to "FT Business Information Ltd".

Tick Method of Payment
Cheque ☐ Money Order ☐ Access ☐ Visa ☐ Amex ☐

Card No. ______ Expiry Date: ______
(If the billing address differs from the above, please notify us) (Please complete, as your order may be returned if expiry date is not shown)

For further information on business gift orders please ring 071-799 2002.

Despatch No.

Date Received:

TELEPHONE ORDERS FOR LESS THAN 25 ITEMS.
☎ 071-799 2274
With your credit card details.

Cardholder's Name (Block Capitals).

Cardholder's Signature

THE WEEK AHEAD

ECONOMICS

Focus may shift to fundamentals

OIL PRICES and Gulf tensions will continue to drive the activity in financial markets throughout the world this week.

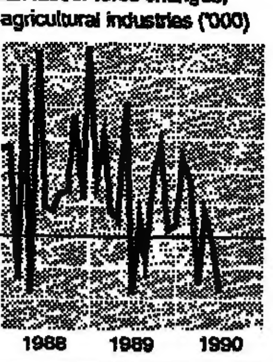
Oil prices have eased following diplomatic initiatives to defuse the crisis and the decision of Opec members to increase production. That should allow the focus to shift to the fundamentals of individual economies.

In the US, expectations of recession will focus on the labour market data at the end of the week. Non-farm payrolls should continue to indicate a slowdown in the rate of employment growth. Weakness has spread from the manufacturing sector to services, as has unemployment. The National Association of Purchasing Managers' (NAPM) index, additionally, is expected to show a reading below the 50 level for the second consecutive month.

Apart from the US, weakness in the Anglo-Saxon economies has not prevented high-yielding currencies, such as the Australian and Canadian dollars and the pound, from gaining strength. In spite of last Friday's drop, sterling's overall rise has combined with evidence of a weakening economy to raise hopes of a cut in interest rates.

US Employment

Civilian labour force changes, non agricultural industries ('000)



UK indicators, however, are thin on the ground this week. Today's figures for new credit business should be consistent with the picture of a flattening economy. The final retail sales data, released in tandem, are also likely to be viewed as evidence that the long régime of high interest rates is finally getting the desired dividend in the form of slower consumer expenditure.

During the week the following data releases will be issued. Median forecasts from MMS International, the financial research company, are in brackets. In West Germany industrial output (0.4 per cent) and orders (0.5 per cent), cost of living for August (2.9 per cent year-on-year) final retail sales for July (4.5 per cent yearly rise). In the Netherlands consumer price index for August. In France M2 for July (0.4 per cent).

■ **Today:** UK, July final retail sales, credit business. West Germany, consortium meets to discuss terms of the new Unity Bund issue. July current account (DM4.6bn) and trade balance (DM9bn). Japan, August foreign exchange reserves

■ **Tomorrow:** UK, second quarter company liquidity survey, August official reserves. US, August NAPM index (47.2), Italy, EC monetary committee meets to discuss Mr John Major's proposals for the hard Ecu. West Germany, second quarter gnp (down 0.7 per cent, quarter-on-quarter; 3.6 per cent, year-on-year).

■ **Wednesday:** UK, July housing starts. West Germany, August unemployment (down 10,000).

■ **Thursday:** UK, CBI/FT survey of distributive trades. West Germany, Bundesbank council meets. Italy, EC finance ministers' meeting. US, capital spending plans, money supply data. Canada, August foreign exchange reserves ($2bn), leading indicators. Australia, labour market data, unemployment rate (6.9 per cent)

■ **Friday:** UK, construction output second quarter, provisional. US, August non-farm payrolls (down 32,000), unemployment, average hourly earnings (0.2 per cent). July wholesale trade. Canada, August labour market data (unemployment 8 per cent, employment growth down 0.2 per cent).

Rachel Johnson

UK COMPANIES

Among those reporting interim results this week are three construction and building material companies, Wimpey, AMEC and Blue Circle.

Almost as important as the numbers will be their comments about current trading conditions and their view of the outlook for construction for the next six to 12 months.

Wimpey's pre-tax profits could be about £25m compared with £45.2m last time. AMEC is likely to return somewhere in the range of £30m to £35m compared with £38.1m a year ago while Blue Circle profits are expected have dipped slightly from £100.3m to about £95m.

Polly Peck, the fresh fruit, leisure and electronics group, is expected to announce a pre-tax profit of about £100m, compared with £64.4m last time.

Hillsdown Holdings' pre-tax profit for the first six months, to be reported on Wednesday, are expected to rise from £68m to between £85m and £89m.

Reckitt & Colman, the food and household products group, is expected to lift pre-tax profits 14 per cent to £112m. Booker, the food, distribution and agribusiness group, is likely to produce pre-tax profits of £35m (£30.3m) when it reports interim figures on Thursday.

Williams Holdings, the industrial conglomerate reports on Wednesday and is set to return pre-tax profits little better than £60m, against £75m last time.

Half-yearly results for Bowater Industries, the print, packaging and industrial products group, Tuesday's figures are expected to show a pre-tax profit of £47m, up from £36.8m last time.

■ **TODAY**
COMPANY MEETINGS:
First Technology, Mill House, Miller's Court, 58, Guildford Street, Chertsey, Surrey, 10.00
Gresham House, 36, Elder Street, E., 11.00
Kembrey, Highfield Lane, Orgreave, Sheffield, 11.00
Reed Executive, 114, Peascod Street, Windsor, Berkshire, 3.00
RESULTS DUE:
Finals:
Goodhead
Isotron
JF Philippine Fund Inc.
Murray Income Trust
Oceonics
Interims:
ASW
Church & Co
Cons. Venture Trust
EFT
EIS
Emess
Halls Homes & Gardens
Invergordon Distillers
Jones (A)
Mid-States
Pendragon
Perkins Foods
Persimmon
Polly Peck
Provident Financial
Torday & Carlisle
Unidare

■ **TOMORROW**
COMPANY MEETINGS-
Associated British Consultants, 68, Cornhill, E.C., 11.00
Bucknall Austin, Hyatt Regency, Birmingham, 12.00
Mansfield Brewery, Mansfield Civic Centre, Chesterfield Road, Mansfield, 12.00
NMC, Honourable Artillery Company, Armoury House, City Road, E.C., 12.00
Prism Leisure, Durrant House, 8-13, Chiswell Street, E.C., 11.00
Unit, Bank Street, Golborne, Warrington, 12.00
Waterglade Intl., The Brewery, Chiswell Street, E.C., 12.00
RESULTS DUE:
Finals:
Cantors
Usher (Frank)
Interims:
Bowater
CRH
European Home Products
Herring Son & Daw
IMI
Lambert Howarth
Parambe
Peek
Porvair
Psion
Ropner
Sedgwick
Shorco
Sharpe & Fisher
Sun Alliance
WSP

■ **WEDNESDAY SEPTEMBER 5**
COMPANY MEETINGS-
Barbour Index, Barrington House, Gresham Street, E.C., 4.00
Bespak, Bergen Way, North Lynn Industrial Estate, King's Lynn, Norfolk, 11.30
Compco, 33, Cork Street, W., 12.00
Daejan, CBI, Centre Point, New Oxford Street, W.C., 12.00
Empire Stores, Norfolk Gardens Hotel, Bradford, 12.00
Fleming Intl. High Income Inv. Tst., 25, Copthall Avenue, E.C., 12.00
JLI, St. James Court Hotel, Buckingham Gate, Westminster, S.W., 10.30
Kingsgrange, 1210, Lincoln Road, Werrington, Peterborough, Cambridgeshire, 2.00
MS Intl., Doncaster Moat House, Warmsworth, Doncaster, 12.00
Multitone Electronics, Ironmongers Hall, Shaftesbury Place, Aldersgate, E.C., 11.00
Syltone, Post House Hotel, Leeds Road, Bramhope, 2.30
Worthington (A J), 26, Upper Brook Street, W., 11.00
RESULTS DUE:
Finals:
Black (Peter)
Heritage
SelecTV
Interims:
AMEC
Astra AB
Allied Partnership
BAT Inds.
Blue Circle Inds.
Booker
Croda Intl.
Donelon Tyson
Fairhaven Intl.
Hambro Countrywide
Hillsdown Hldgs.
Nestor-BNA
Quicks
Save & Prosper Gold Fund
Senior Eng.
Stat-Plus
TLS Range
T & N
Thames Television
Wiggins Teape Appleton
Williams Hldgs.
Wimpey (George)

■ **THURSDAY SEPTEMBER 6**
COMPANY MEETINGS-
Alan Paul, 12, Caldbeck Road, Croft Business Park, Bromborough, Wirral, Merseyside, 11.30
Bulmer (H P), The Cider Mills, Plough Lane, Hereford, 2.30
Carclo, Queens Hotel, Leeds, 4.00
Courtyard Leisure, 1, St Brides Passage, Bride Lane, E.C., 5.00
Joseph (Leopold), Barber Surgeons Hall, E.C., 12.15
Morris Ashby, 16, Freebournes Road, Witham, Essex, 2.30
Surrey Group, Great Eastern Hotel, Liverpool Street, E.C., 11.00
RESULTS DUE:
Finals:
London Merchant Securities
Interims:
Anglo American Gold Inv.
Appleyard
Baltica
Blackwood Hodge
Burmah Castrol
City & Commercial Inv. Trust
Cookson
Courtaulds Textiles
Dartmoor Inv. Trust
Enterprise Oil
Evans Halshaw
Forwell
Gibbs & Dandy
Instem
International Business Communications
Laird
Portals
Reckitt & Colman
Russell (Alexander)
Tyne Tees Television
Vinten
Wilson Bowden
Wilson (Connolly)

■ **FRIDAY SEPTEMBER 7**
COMPANY MEETINGS-
Fobel Intl., Eastgate House, 28/34, Church Street, Dunstable, 11.00
GEC, London Hilton on Park Lane, W., 12.00
Graig Shipping, 113-116, Bute Street, Cardiff, 11.15
Learmonth & Burchett Management Systems, Le Meridien Hotel, Picadilly, W., 12.30
Stanley Leisure, Stanley Albion Casino, Cromwell Road, Castle Irwell, Salford, 12.00
RESULTS DUE:
Interims:
Brammer
GT Chile Growth Fund
Inch Kenneth Kajang Rubber
LIT
Magnolia
Perry

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Associated British Foods 7.7p
British Telecom Finance 8½pc Gtd. Nts. 1994 4¼pc
Buckingham Intl. 0.5p
Conversion 9pc 2000 4½pc
Cook (William) 8p
Domino Printing Sciences 1.75p
Electrocomponents 4.3p
Eurocopy 1.1p
Export-Import Bank of Japan 8⅝pc Bds 1999 4$\frac{5}{16}$pc
Gestetner 1.7p
Do. Cap. 0.075p
Hambros 7.9p
Do. Non Vtg 2.1p
Harris (Philip) 3.75p
IWP Intl. 3p
Letinvest 10¼pc to 10½pc Stp. Int. 2012 5¼pc
Meyer Intl. 12.2p
Morgan Guaranty Tst Co of New York 12¾pc Nts 1993 6⅜pc
Stakis 0.9p
Sturge 5.5p
Sutton District Water 1p
Do. "B" 1p
Treasury 8½pc Ln (Ass 9pc 2000 "B") 4¼pc
Union Discount Co of London 11.5p

■ **TOMORROW**
Barclays Bank Non-Cum $ Den Pf C1 29.531cts
Do. C2 7.383cts
Do. Reg. Sers. C Units 36.914cts
Do. Non-Cum $ Den Pf Srs A 52.125cts
Do. Srs B 50.975cts
Betterware Consumer Products 5.15p
Enserch Corp. 20cts
Inco 25cts
Ingersoll-Rand 33cts
Lockheed Corp. 45cts
New South Wales Treasury 10pc Gtd Nts 1992 5pc
Prism Leisure 3p
Rockwell Intl. 21.5cts

■ **WEDNESDAY SEPTEMBER 5**
Blick 2.5p
Bullough 1.75p
Daejan 15p
Donelon Tyson 0.75p
Gillette 27cts
Halifax Building Society 8¾pc Fixed Rate/FRN 1992 £192.82
JLI 2.6p
Mansfield Brewery 7.9p
Norfolk House 1.5p
Partridge Fine Arts 2p
Priest (Benjamin) 3.75p
Waterglade Intl. 2.75p

■ **THURSDAY SEPTEMBER 6**
BFG Finance Fltg. Rate Nts. 1996 $215.62
Bank of Greece 10¾pc Ln 2010 5⅜pc
Barclays O'seas Inv Gtd Fltg Rate Nts 2004 $218.82
Continental Assets Tst 1p
Countryside Props 1.41p
Croda Cosmetics & Toiletries 7½pc Ln 1987/92 3¾pc
Dares Estates 8pc Ln 1992/97 4pc
Exmoor Dual Inv. Tst. 2.4p
Fleming Int. High Inc. Inv. Tst. 1.65p
IMI 7¼pc Ln 1986/91 3⅝pc
Investment Co 0.775p
Joseph (Leopold) 9¼pc Ln 1997/2002 4⅝pc
Lancashire & London Inv Tst 1p
National Westminster Bank Var Rate Cap Nts 2009 £387.53
Waddington (John) 10½pc Deb 1990/95 5¼pc
Whitbread 9¾pc Deb 1991/96 4⅞pc
Worthington (A J) 0.625p
Yorkshire Chemicals 10pc Deb 1991/96 5pc

■ **FRIDAY SEPTEMBER 7**
Barclays Bank 7½pc Ln 1986/91 3¾pc
Barnes Group 35cts
Boeing 25cts
Carclo Engineering 5.55p
Cardiff Property 0.85p
Cowie (T) 1.2p
DG Finance BV 13¾pc Nts 1990 7⅞pc
Davy Corp. 6.25p
Dudley Jenkins 2.6p
Flextech 1p
Graig Shipping 3p
Do. "A" 3p
Investors Capital Trust 1.225p
Joseph (Leopold) 12.75p
Lawson Mardon Class A 10cts
Leica 0.68p
Lex Service 5.9p
MS Intl. 3.16p
Moorgate Inv. Tst. 7p
National Medical Enterprises 20cts
Nationwide Anglia Building Society Fltg Rate Nts 1995 £365.75
Prudential Fltg Rate Nts 1995 £363.75
River & Merc. Extra Inc. 1.875p
Sainsbury (J) 7¼pc Mtg Deb 1987/92 3⅝pc
TNT A$0.0375
Witan Inv. 2.25p

■ **SATURDAY SEPTEMBER 8**
Lilly (Eli) 41cts
Macarthy 5p
Renold 7⅝pc Deb 1992/97 3$\frac{13}{16}$pc
Treasury 10pc 2003 5pc

APPOINTMENTS

Senior post at London stockbroker

■ W.I. CARR (INVESTMENTS) has appointed Mr Alun Evans as director of client services. He was formerly a director od Capel-Cure Myers where he was for a time deputy head of the private client department. Latterly he was director in charge of new business.

■ At MODERN SECURITY SYSTEMS Mr Peter Baxter has become director of its major systems division.

■ A new management team has been installed at SM DISTRIBUTION to coincide with the Argus Press Group's development and expansion plans.

Chairman is Mr Chris Cutherbertson, currently finance director of the two Argus divisions - newspapers and specialist magazine publishing. Managing director will be Mr Geoff Hoyle who also runs Argus' South London Press from the same building as SMD. He will succeed Mr Dick Dyerson who is resigning.

Argus Press main board director, Mr Kimble Earl, will join the SMD board.

■ Raine Industries' subsidiary HASSALL HOMES (TRENT) has appointed Mr John Laithwaite *(pictured)* to the board as production director. He has been promoted from production manager.

■ J.O. PLOWRIGHT & CO. (HOLDINGS) has made the following board appointments: Mr R.B. Whittet, Mr C. Green, Mr D.J. Saxby and Mr P.A. James.

■ PANSOPHIC SYSTEMS INC has promoted Mr Graham Williams to UK contry manager.

■ ANDERSON GROUP has appointed Sir Robert Hunt, former chairman and chief executive of Dowty Group and latterly a non-executive director of Charter Consolidated, as a non-executive director.

Also joining the board as a non-executive director is Mr Herbert F. Gerhard, president and chief executive officer of National Mine Service Company (NMS) of Indiana, US. NMS is a wholly-owned subsidiary of Anderson following the group's recent acquisition of the remaining 49 per cent of its stock.

■ CHARTERED WESTLB, the London-based international merchant bank which is jointly owned by Standard Chartered and Westdeutsche Landesbank, has appointed Dr Peter Greenhalgh as managing director, corporate finance. He was chief executive of AAF Investment Corporation.

NEC ELECTRONICS (UK) has appointed Mr Nick Adams *(pictured)* as UK sales manager. He was previously managing director of UK distribution group Lex Electronics (UK). Mr Adams succeeds Mr Charles Robinson, who becomes UK marketing manager.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

CONFERENCES

SEPTEMBER 12
Second North Sea Safety Conference - LONDON HILTON on Park Lane, London W1
Technology Forum Ltd
(081-900 1555) LONDON

SEPTEMBER 27-28
The UK Buy-Out Conference 1990 - LONDON TARA HOTEL, Kensington. Contact: Louise Warde, Business Research International Ltd
(071-637 4383) LONDON

OCTOBER 1-2
European Property as a Global Financial Security.
Contact:- Evie Kainane
(071-236 4080) BRUSSELS

OCTOBER 3-4
EMP Consultants:
Know Your Competitors - Competitior Intelligence & Analysis.
(071-487 5665) CAFE ROYAL, LONDON

OCTOBER 4-5
Activity Based Budgeting
Speakers: Jim Brimson and Robin Fraser, Coopers & Lybrand Deloitte. Contact: Jane Hall, CIMA Mastercourses.
(071-637 2311) LONDON

OCTOBER 12
Using Published Accounts
Speaker: Roger Cowe, ACMA, MBA. Accountancy journalist of the year 1989. Contact: Jane Hall, CIMA Mastercourses
(071-637 2311) CAFE ROYAL, LONDON

NOVEMBER 13-14
International Conference on the Automotive Industry and the Environment.
INTERCONTINENTAL HOTEL.
(44 71224 1876) GENEVA

NOVEMBER 28-29
Euro Buy Out 1990
The Selfridges Hotel, London
Contact: Louise Warde, Business Research International Ltd
(071-637 4383) LONDON

To advertise in this section please telephone James Burton 071-407 5632

WORLD NUCLEAR INDUSTRIES

The Financial Times proposes to publish this survey on:

24 SEPTEMBER 1990

For a full editorial synopsis and advertisement details, please contact:

on 071-873 3000

or write to

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT
FINANCIAL TIMES CONFERENCES

PRODUCT STRATEGIES FOR THE 90s

The Role of Design & Development in the TRIAD Countries

London, 15 & 16 October, 1990

Topics to be Addressed:-

* The Growth of International Competition and the Importance of Effective Product Development Management
* Industrial Design as a Source of New Product Ideas
* Product Development and an Effective Interface with Design and Marketing
* Managing Product Development Against Time Pressures
* Turning Market Research into a Product Development, Marketing, Branding and Merchandising Strategy

Speakers include:

Professor Takahiro Fujimoto
Faculty of Economics, University of Tokyo

Mr Arnold S Wasserman
Unisys Corporation

Mr Aki Amanuma
Sony Corporation

Mr Bill Moggridge
Moggridge Associates

Mr Lawrence P Cabrinety
Digital Equipment Corporation

Mr Gary Rado
Texas Instruments

Dr Thomas H Thomsen
Braun AG

Mr Derek Fawcett
Nautech Limited

The conference, arranged in association with the Design Management Institute of Boston, will coincide with the London opening of an exhibition on 'Designing for Product Success' at the Design Council.

For further information, please send this advertisement, together with your business card, to:

Financial Times Conference Organisation
126 Jermyn Street, London, SW1Y 4UJ
Telephone: 071-925 2323
Fax: 071-925 2125 Telex: 27347 FTCONF G

CONSTRUCTION CONTRACTS

£150m Chiswick project

An artist's impression of the Chiswick Park scheme

Stanhope Trafalgar Chiswick has given **TROLLOPE & COLLS** the go-ahead to start work on a £150m construction management contract for the first phase of the redevelopment of the former London Regional Transport bus works in Chiswick High Road, west London, following the receipt of planning consent.

The Chiswick Park development comprises about 1.5m sq ft of high quality accommodation in a master-planned environment. The master plan was developed by Mr Terry Farrell and Mr Laurie Olin of Philadelphia-based landscape consultants Hanna Olin. It identified building plots set into a landscaped environment which incorporates a formal square the size of London's Berkeley Square as well as an area of informal landscaping with two lakes. The scheme also includes leisure facilities with swimming pool and gymnasia as well as a child day-care centre.

The individual buildings are being designed by a line-up of architects including the Richard Rogers partnership, Peter Foggo Associates and Foster Associates

The developer, Stanhope Trafalgar Chiswick, is a joint venture between Stanhope Properties and Trafalgar House Developments.

Head office facility in Swansea

The south Wales region of **R M DOUGLAS CONSTRUCTION** has won two contracts in Swansea worth over £7m.

Work has already started on a £5.4m contract to build a new headquarters facility in Swansea for haircare product manufacturer Alberto-Culver Company (UK).

The 140,000 sq ft development is due for completion next summer and will comprise a steel framed production, packaging and warehouse unit linked to a two-storey office block. Douglas will also be carrying out groundworks in preparation for future expansion.

The Welsh Health Common Services Authority has awarded Douglas a £1.8m contract for the construction of residential staff accommodation at Singleton Hospital in Swansea.

The complex will provide 74 bedsits and five family residences in one three-storey and four two-storey blocks, together with a single-storey community block.

The contract, which is due for completion in August 1991, also includes provision of an access road and footpath, car parking and general landscaping.

£23.9m workload for Crown House

CROWN HOUSE ENGINEERING has won seven contracts totalling £23.9m. An £8.6m design and construction order has been awarded by Laing Midlands at the national indoor arena for sports in Birmingham. Located next to the International Conference Centre in the city centre, it will have a spectator capacity of 12,000 and will host multi-national and international sporting events including ice-hockey. Crown House Engineering's contract is for both mechanical and electrical work.

In the south, the company has been engaged by BP Petroleum Development to carry out a £4m mechanical installation order at BP Exploration's new Stockley Park offices near Heathrow.

The Brent Walker Group has placed a design and construct order worth £3.8m through Fairclough Building with Crown House Engineering for the World Trade Centre in Cardiff. Work has already begun on the 20,000 sq metre centre.

The North West Regional Health Authority has awarded the company a £1.6m electrical services contract for the first phase of the acute service development at North Manchester General Hospital

The company has won a £1.9m M&E order from the Home Office at HM Prison Durham and in Scotland two further contracts involve a £1.3m micro electronics installation for Shin-Etsu Europe at Livingston and a further phase at Compaq Computers in Strathclyde for a manufacturing, storage and office facility worth £2.7m. Crown House Engineering is a part of Tarmac's construction division.

Scottish scheme

Phase six of Syntex Pharmaceuticals facilities at Riccarton, near Edinburgh, is to be built by **BALFOUR BEATTY CONSTRUCTION NORTHERN**. Valued at £14.5m, work involves the building of 15,000 sq metres of space comprising a three-storey building, a two-storey extension to the existing facility and a single-storey utility building. Earthworks, drainage, roadways and a car park are included in the contract which is scheduled to commence in August 1990 with completion due by July 1992.

New offices development in Staines

TEAM SERVICES has been appointed on three schemes, worth more than £11.78m, for British Gas North Thames and the BOC Group.

Under an innovative project management arrangement for British Gas (£9.5m), Team will be responsible for ensuring optimum use of a 15-acre site at Staines in designing and providing three new buildings, car parking and infrastructure works.

One of the buildings, which will be constructed over part of a lake, combines offices and a terraced restaurant. Laboratories, more offices, engineering and storage facilities will be located nearby.

Two projects for BOC involve design and construction. The first is a 36,500 sq ft long-life food distribution warehouse and offices at Thatcham, Berks., for BOC Transhield, costing £1.8m. Exacting tolerances are required in the floor slab to accommodate a bay fork lift truck picking system nine metres high. The second at Worsley, Greater Manchester, will provide a 1,250 sq metres unit for producing and packing medical gases.

Hall & Tawse
Group Limited
CONSTRUCTION
DESIGN AND BUILD
SPECIALIST WORKS
Hall & Tawse Group Limited
Ashbourne Road, Mackworth, Derby DE3 4NB

MANAGEMENT

Preparing to go public

The traumas of going through the City's scrutiny hoop

By Vanessa Houlder

Going public can be a painfully revealing process. The City's scrutiny of a small company's affairs is an intrusive and protracted process, which many find traumatic.

But it can also be a valuable exercise in highlighting inadequacies in the company's own management. Unchecked, these faults can spell disaster, particularly when the company is exposed to pressure from the City for rapid and unwavering earnings growth.

One company that came unstuck after its flotation was Sharp & Law, a shopfitter, which joined the unlisted securities market in 1987. Two years later, it discovered errors in its 1987 figures when payments for some large contracts had been double-counted.

Arthur Young, the accountants, who were called in to investigate, produced a report calling for improvements to the company's senior financial management, the appointment of a managing director, and organisational, systems and computer department review. The company never recovered, however, and went into receivership last year.

Hobsons, a Cambridge-based publisher, also got into difficulties a couple of years after joining the market. It came unstuck when a widespread failure of financial controls and difficulties with its computer system coincided with problems with acquisitions. It has since been bought by the Daily Mail and General Trust.

Diamond Group Holdings revealed its management problems even more rapidly. This car insurance company joined the USM in April last year in a £16m placing by Allied Provincial Corporate Services. In October, its shares were suspended after problems in administration and handling claims at one of its subsidiaries led to a substantial loss.

Could cases like these be avoided by a more thorough scrutiny of the company's management and systems before flotation? Sponsors and accountants concede that occasional lapses do occur but in general they stoutly defend the vetting procedure. Relatively few stock market companies went into liquidation in the 1980s, although many other casualties pre-empted their demise by arranging a sale.

On the face of it, the process is decidedly rigorous. Even a small company merits a visit of several weeks from the accountancy firm which culminates in a long report about the management and business that can run to hundreds of pages.

It will include an analysis of the group's structure, history, competition, customers, suppliers, marketing, employees, management information and accounting systems.

The most common problems thrown up by this scrutiny concerns the financial management and controls. "If you have a good strong entrepreneur who has built up the company, often the back room has not kept pace with the company," says Graham Cole of Coopers & Lybrand Deloitte.

John Gregory of Beeson Gregory concurs. "When we are visiting private companies with a view to their being floated perhaps the weakest link is the finance director," he says.

Increasing attention is also being given to the company's strategy. "In the past, people tended to assume that because it was a very high profile company or had very good results, the pattern would continue and not look for alternative sources of customers or supplies," says Graham Cole.

This critique can be a gruelling procedure for the company. However, the accountants generally go out of their way to make it as painless as possible for the client. Graham Cole insists that the reporting accountants should not be viewed as policemen by the company. "We are there to support them. It is they, not the sponsor, who are our client," he said.

But perhaps this rapport between the client and accountant can go too far. The accountancy firm may not want to jeopardise a valued relationship by being over-critical, particularly if the accountant is a small, local firm and the client is large enough to merit switching to a major firm.

Companies using one of the Big 6 firms of accountants outnumber those using smaller firms by two to one, according to KPMG Peat Marwick McLintock. Moreover, if the company decides to use a merchant bank as a sponsor (as about a fifth of them do) they find they will be guided very firmly towards one of the major firms.

"The lack of experience of a small firm of accountants will be a telling problem for a merchant bank to overcome," says a banker. "It would show itself in judging systems and whether or not the business is capable of being run to the standard of a public company. It is a matter of being able to say, hand on heart, this company is ready for flotation."

The one-off nature of the accountants' report is another possible concern. The accountants will highlight weaknesses and recommend improvements, but it is up to the company to implement them. "You then have to believe that it has happened. It [the report] is never updated," says Sara Wigglesworth of Laing & Cruickshank.

As well as the accountants' declaration that the company is ready for flotation, the sponsor is likely to make its own assessment. Usually this will rely on the view of the in-house analysts, although in obscure industries, an outside consultant will sometimes be employed.

The sponsor will pay particular attention to the management's CVs and details about suppliers, customers and controls. John Gregory of Beeson Gregory, the broker, asks the companies for its management accounts and cash flow projections on their first meeting. "If they say 'how do you spell that?' you know the company is not ready for flotation," he says.

One reason for a broker carrying out its own checks on a potential client is that it will help it to sell the shares. "There is no substitute for the practitioners' feeling the cloth," says John Stanton of BZW. "They will be prepared to sell it with more enthusiasm and commitment."

But a more important reason for the sponsor's scrutiny is to make sure that the client will not disgrace it by getting into difficulties. An issuing house's image can be severely dented by a few mistakes.

Another motivation is to ensure compatibility between the company and the issuing house. The hauteur of some of the merchant banks and brokers deters many entrepreneurial businesses and the banks, in turn, find that very small companies are often not worth their while.

Gilbert Eliott, a financial services house, for example, will not take on a company unless it considers it has sufficient ambition. "We would turn them down if we thought their reasons are misguided, whether or not the management team is good enough," says Tim Seymour of Gilbert Eliott.

The result of this vetting process may be that the company is singularly short of choice in selecting its broker. If a small, ambitious company wants a large broker with good placing power, it may find the list of compatible brokers a rather short one with several possibilities ruled out because they act for the company's rivals.

But even if the company gets over the hurdles set up by the accountants and sponsor, it may still be brought to a juddering halt by the Stock Exchange's vetting procedures.

Spice, the motor parts distributor which has just gone into receivership, was scuppered in its first attempt to join the USM when the Stock Exchange found that the financial controller had been convicted of fraud.

But perhaps the greatest test of the entire process is whether a company is saleable to the institutions. The stock market's current indifference to small companies and the difficult economic climate means that the days when flimsy, immature companies could be valued at huge sums are over. Jumping through the hoops posed by the accountants and sponsor may be one of the least demanding aspects of being quoted.

'Academic rigour and managerial relevance'

Simon Holberton reports that US business schools seem to be addressing the challenges facing them

The business school and the master's degree in business administration is an American phenomenon. About 700 US business schools currently turn out more than 70,000 graduates a year; more than 250,000 hopefuls sit for the graduate management aptitude test – GMAT – in their attempt to acquire postgraduate management education.

Yet there is a sense that US business schools are failing US industry. The 1980s was the decade for investment banking and the maxim that "Greed is Good." Business schools turned out able financial engineers but few fit to manage production engineers.

Perhaps it was ever thus. In November 1988, Business Week surveyed 1,000 US companies, many of them manufacturers, and found that only 14 per cent recruited significantly from business schools.

In 1988, Lyman Porter of the University of California and Lawrence McKibbin of the University of Oklahoma, published a book entitled Management Education and Development which was critical of American business schools. The business schools' successes since the 1960s had made them complacent and self-satisfied, they wrote.

Porter and McKibbin argued that business schools should offer students a more integrated curriculum that included the teaching of "soft" skills, like people management and leadership, along with the "hard" functional skills like finance and marketing. Moreover, this curriculum should be framed in the context of a changing and uncertain global business environment.

As US business schools face the 1990s and beyond there is a sense that some of the criticisms to which they have been subjected have been heard. A recent report sponsored by the Graduate Management Admission Council (GMAC) – the body which oversees the GMAT examination – echoes many of Porter's and McKibbin's criticisms.

The report, entitled "Leadership for a changing world: the future role of graduate management education,"* was written by a group of 23 business school professors, which called itself the commission on admission to graduate management education.

It says that the challenges facing US management education are removed from those facing it in the late 1950s. Then, two sponsored studies – those of Robert Gordon and James Howell for the Ford Foundation and the other by Frank Pierson for the Carnegie Foundation – addressed issues of the lack of quality in faculty, research, curricula and students.

Today, business schools and their students face problems and challenges on a broad front. The report says there are three forces that will affect schools and their students in the future: accelerating rates of change and complexity in technology; globalisation of markets, communication, and human resources; increasing demographic diversity.

"These broad trends of development are inter-related and encompass dozens of other difficult issues, including more complex ethical problems, changing political processes, the role of non-market institutions, and the relationship of business and government," it says.

For the American business school this means reformulating the MBA curriculum, devising a new set of faculty priorities and moving away from current teaching and research practices in which some see "the pedantic sterility of a second class science – one that is too refined to be applied to the problems of a society as complex as ours."

Business school academics must move off their respective campuses and spend more time in organisations, observing business practices in action. The research ought to be relevant to managers. The study says that what is needed is a "balance between academic rigour and managerial relevance."

The study suggests that the measure of academics and their prospects for tenure and promotion ought to be based less on the principle of publish in referee journals or perish and more on the basis of the relevance of their work to the business world.

It recommends a change in graduate recruitment for MBA tuition. MBA students should possess a broad understanding of the "economic, social, political, and technological contexts of global business." To this end the study says that US colleges and universities should consider requiring aspirant MBS students to have studied basic economics, accounting and quantitative methods. This would allow flexibility in an already crowded postgraduate MBA curriculum.

The study also advises colleges and universities to be more discriminating in the selection of candidates for an MBA. In so doing it produces a sun, moon, and stars wish list but provides little guidance on how to assess candidates. Aside from basic literacy and numeracy skills, prospective students should possess abilities in analysis and inferential reasoning; experience in teamwork, and interpersonal skills. They should also possess intellectual curiosity, a managerial point of view (defined as a sense of satisfaction with work accomplished); respect for the individual and for the value of diversity; self-awareness and self-direction; and, concern for the consequences of one's actions.

The GMAC is the body responsible for the GMAT test, an examination used not only for admission to US universities to read for an MBA but in Europe as well. The GMAT as currently formulated is extremely important in the selection process.

The test of this report will be the extent to which the GMAC modifies its examination to help identify the type of individual which the report believes will make the manager of the future.

Available from: Graduate Management Admission Council, 11601 Wilshire Boulevard, Suit 760, Los Angeles, CA 90025, US.

LEGAL COLUMN

Hong Kong should plan for full economic union with China

By Christopher Smith

THE PEOPLE of Hong Kong are relying for future prosperity on the "one country, two systems" concept reflected in the 1984 Sino-British Declaration now embodied in the Basic Law.

The Sino-British Declaration and the Basic Law allow the Special Administrative Region of Hong Kong to maintain control over its external trade and economic relations, to be a separate customs territory and to participate as an independent entity in international organisations and trade agreements.

The declaration also states that Hong Kong will "retain the status of an international financial centre, and its markets for foreign exchange, gold, securities and futures will continue. There will be free flow of capital. The Hong Kong Dollar will continue to circulate and remain freely convertible."

To complement this trading and financial autonomy from mainland China, Hong Kong is to have its own legislature, judiciary and legal profession.

On the other hand, the "foreign and defence" affairs of Hong Kong are to be placed squarely in the hands of the Central Peoples' Government in Peking.

But how can a settlement drawn up in 1984 actually hope to accommodate a situation which will exist some 13 years later in 1997?

While, in theory at least, it may be possible to guide the future down certain paths by producing a blueprint which all sides are content to follow, it is much more likely that stronger unpredictable influences will shape events leaving the blueprint to be scrapped, fudged or amended to cope with the situation as it unfolds.

In an era when trade is arguably the most important consideration of all between foreign states, one may fairly question how, in practice, the division of foreign policy and external trade policy between Peking and Hong Kong can possibly work.

Trade disputes, nowadays, are just as likely to lead to armed aggression as ideological differences.

This trend in world affairs, accelerated by the changes in east-west relations during the last 18 months, would not have been as apparent to the drafters of the Sino-British Declaration in 1984 as it would be now. Another fact that could not have been foreseen in 1984 was that the trading relations of Hong Kong and south China, even prior to 1997, have become so closely integrated that it is increasingly difficult to disentangle one from the other.

The scale of Hong Kong's dependence on China for its processing and manufacturing work is illustrated by the fact that Hong Kong's trading performance for the first half of 1990 showed that for every dollar's worth of domestic exports it shipped to the world market, it shipped almost two dollars' worth of re-exported goods from China.

By contrast, in 1984 Hong Kong's own domestic production exceeded its re-exports from all other countries combined, including China.

Against this background it would appear problematic for Hong Kong to be considered separately from mainland China in the contexts of international trading organisations and agreements.

The Basic Law ought not to be regarded as the complete answer

Already the EC Commission has had its first dose of trying to fathom out what has, or has not, emanated from China or from Hong Kong for the purposes of anti-dumping duties.

Honk Kong's membership of the General Agreement on Tariffs and Trade, without the People's Republic of China (PRC) being a member, and the problem of the "three Chinas", Hong Kong, Taiwan and the PRC, all wishing to join Asia-Pacific Economic Co-operation and other south-east Asian economic groupings, creates an anomalous situation which, in due course, is most likely to be resolved by international acceptance that the only practical solution is for the PRC and Hong Kong to be treated as one entity with both foreign and trade policy being dictated by Peking.

The past insistence of both the British Government and the people of Hong Kong that independence from China be maintained in as many areas as possible may further exacerbate the situation.

Hong Kong, striving to maintain its individuality, could end up as being neither a true part of China nor a territory with any significant measure of international independence. Thus foreign traders may prefer to deal directly with the mainland where the major manufacturing centres and markets are situated and financial markets would transfer themselves to other Asian centres where allegiances and decision-making lines are less ambiguous.

If this happens there will be no shortage of aspirants in south-east Asia to benefit from Hong Kong's decline. These will include Taipei and, in China itself, Shanghai and Guangzhou. Shanghai, in particular, was the source of much of Hong Kong's trade and financial talent.

While its current attempts to restore itself as a financial centre may not seem too serious a proposition, the development of a genuine securities market in China together with some relaxation in banking, property investment and exchange control laws, may provide Peking with a very real alternative contender to Hong Kong for its future financial centre, especially if the latter proves to be politically troublesome.

The province of Guandong, according to a recent report by the Nippon Credit Bank, is on the verge of an economic take-off, benefiting from proximity to Hong Kong, continuing foreign investment, a comparatively diverse economy and an export-orientated industrial sector.

The Basic Law ought not to be regarded as the complete answer to Hong Kong's future. While it incorporates basic safeguards which the British Government and the people of Hong Kong felt necessary to protect Hong Kong and its population from excessive Chinese interference, something else is needed to enable both Hong Kong and China to benefit from a higher degree of economic integration than was previously thought to be required.

One answer might be the creation of an experimental economic union between Hong Kong and the Guandong special economic zones in Shenzhen and the Pearl River estuary. Such economic union would certainly require Hong Kong to abandon both its status as a separate customs territory and the right to issue its own certificates of origin.

A common currency, quota system and framework of commercial laws would also be desirable. Such a union need not necessarily be in conflict with the Basic Law but could be carried out within its legislative mechanisms.

Progress beyond such a limited "EEC model" would depend not only on the success of the economic union but also on political and economic developments in the PRC itself, including the establishment of genuine democratic principles and a comprehensive legal system. In this regard progress in the PRC from a planned economy to a market economy, abruptly terminated in June 1989, does now seem set for a revival.

If the PRC Government felt able to abandon its traditional obsession with centralised control and move towards a federal structure allowing greater autonomy to its provinces, then a logical progression from economic union of the special economic zones and Hong Kong would be a broader-based union between Hong Kong and the whole of Guandong province, as a preliminary to full political and economic integration of Hong Kong into the PRC.

After 1997 the impracticalities of a two systems approach will show themselves

Post 1997 a plan on these lines is almost certain to evolve in any event as the impracticalities of the "one country, two systems" approach manifest themselves.

But even to wait until 1997 will be fatal to the future of Hong Kong which will continue to be weakened by emigration of its most talented residents, outflow of capital, local companies re-registering abroad and a demoralising scramble for alternative passports.

The author is a partner and head of the China practice of City solicitors Lovell White Durrant

THE FT ESSENTIALS RANGE
(As essential as the FT itself.)

The exclusive FT Essentials range (part of the FT Collection) could only have come from the Financial Times. Our experience ensures that everything is designed to make the right impression in terms of elegance and efficiency.

We've combined the finest materials and craftsmanship with a total practicality that's appreciated in today's business environment. Each product is lined in FT-pink moiré silk and is available in superb black finecell leather.

FT Essentials provide an excellent choice of business accessories from the immaculate FT Travel Organiser and FT Personal Investment Portfolio to a tubby FT Memo Pad for quick notes. As part of the FT Collection their quality is beyond doubt.

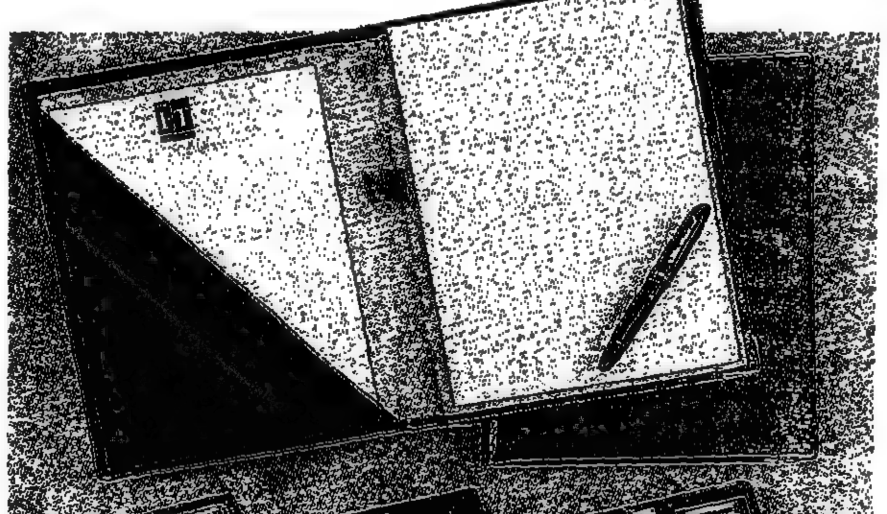
The **FT Meetings Folder** comes in a sleek finecell black leather case with FT-pink moiré silk lining and gilt corners. It has two slash pockets, an A4 FT-pink paper pad and a pen loop. (244mm x 319mm x12mm thick).

The **FT Credit Card Case** incorporates plastic pouches for up to 10 cards and a leather pocket for records of credit card transactions. It has a finecell black leather case with FT-pink moiré silk lining. (83mm x 107mm x 6mm thick).

The **FT Jotter Wallet** is super slim, smart and convenient. This carry-with-you jotter has an inside pocket lined with FT-pink moiré silk and will hold bank notes up to £10. (173mm x 93mm).

The **FT Jotter/Calculator Wallet** has a solar calculator on a magnetic base, a jotter with FT-pink paper and a ballpoint pen. It has a finecell black leather case with a clasp and gilt corners and is lined with FT-pink moiré silk. (82mm x 106mm x 6mm thick)

The **FT Business Card Case** has three turned leather pockets that will comfortably hold 30 cards. It has a black finecell leather case lined with FT-pink moiré silk. (77mm x 107mm x 5mm thick)



FT COLLECTION – A QUALITY PROPOSITION

What we've shown here is but a small sample of the FT Collection, so why not send for the FT Collection colour brochure and see for yourself? It is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2002 or write to FT Collection, FT Business Information Ltd., 50-64 Broadway, London SW1H 0DB or send your business card.

FIRST IMPRESSIONS THAT LAST

All items will be doubly welcome if they are personalised with initials in high quality gold blocking. This kind of personal touch enhances the pleasure and worth to the user.

THE WORLD'S MOST APPRECIATED BUSINESS GIFTS

Our business gift services include • Gold blocking of your logo • Up to eight publicity pages in the diaries and personal organiser • Direct despatch to the recipients together with your compliments slips or greetings cards • Samples.

LARGE ORDER DISCOUNTS

Order 25 items or more from the FT Collection and you will qualify for discounts of up to 25%.

Contact us now on 071-799 2002 for more details on our business gift services.

ORDER FORM 701097

Please tick where applicable.

☐ Please send me the FT Collection Brochure and Order Form.
☐ I am interested in using the FT Collection as business gifts, please send me details.
☐ I wish to place a firm order as detailed below.

Name (Mr/Mrs/Miss/Ms) ______ (PLEASE PRINT)
Position ______
Company ______
Address ______
______ Postcode ______
Telephone ______

FOR YOUR FREE FT COLOUR BROCHURE RING 071-799 2002 NOW!

How to complete your order
1. Indicate the quantity and type of product you require.
2. Indicate how many items you wish to have gold blocked with your initials.

Please return to:
FT Collection,
FT Business Information Ltd.,
50-64 Broadway, London SW1H 0DB.
Tel: 071-799 2002. Telex: 927282 FINTIM G.
Fax: 071-799 2268.

CODE	PRODUCT	UK £	QTY	EUROPE £	QTY	REST OF WORLD SURFACE £	QTY	REST OF WORLD AIRMAIL £	QTY	SUB TOTAL £
	ESSENTIALS									
7778 2210	Meetings Folder	28.08		30.98		30.90		35.38		
[illegible]	Credit Card Case	8.24		8.69		8.48		9.87		
7742 2225	Jotter/Calculator Wallet	15.88		16.24		16.03		17.42		
7717 3115	Jotter Wallet	9.31		9.76		9.55		10.54		
7728 3110	Business Card Case	11.47		11.92		11.71		13.10		
	PERSONALISATION									
[illegible]	Initials only	1.95		1.95		1.95		1.95		

All prices shown are inclusive of postage and packing. Sub-Total
Please attach any initials details on a separate sheet. VAT(UK only)
Total

HOW TO PAY.
BY PHONE. You can pay by credit card by placing your order on our Credit Card Order Line 071-799 2274
BY FAX. If you wish to pay by credit card you can fax this order to us on our Credit Card Fax Order Line 071-799 2268.
BY MAIL. Return this order form with your payment to the address given above.
Payment must accompany your order, and cheques should be drawn on a UK bank account made payable to 'FT Business Information Ltd.'

Tick Method of Payment
Cheque ☐ Money Order ☐ Access ☐ Visa ☐ Amex ☐
Card No. ______
Expiry Date ______

CREDIT CARD ORDER LINE
Telephone orders for less than 25 items:
☎ 071-799 2274
Cardholder's Name (Block Capitals)
Cardholder's Signature

Please complete, as your order may be returned if expiry date is not shown. If the billing address differs from the above, please notify us.
For further information on business gift orders please ring 071-799 2002.
F T Business Ltd., Registered Office Number One, Southwark Bridge, London SE1 9HL. Registered in England No. 980896.

IN THIS WORLD, IT'S BEST TO BE BIG.

WE'RE THOMSON-CSF, THE BIGGEST EUROPEAN COMPANY IN CIVIL AND DEFENCE ELECTRONICS. BEING BIG KEEPS US – AND OUR CUSTOMERS – ON THE CUTTING EDGE OF EVERY AEROSPACE TECHNOLOGY. AND IT GIVES US THE CREDENTIALS TO TEAM WITH OTHER WORLD-CLASS COMPANIES IN RELATED FIELDS ON MAJOR PROGRAMS. THROUGH THE NINETIES AND BEYOND.

THOMSON-CSF. THE BIGGEST EUROPEAN COMPANY IN THE WORLD OF GOVERNMENT ELECTRONICS.

THOMSON-CSF

CEDEX 67 - 92045 PARIS LA DEFENSE - FRANCE

SYNERGIE

هكذا من الأصل

ARTS

ARCHITECTURE

Education should turn over a new leaf

A few weeks ago a man with a broken arm stood up in the drawing room of the 19th century Gothic President's Lodgings at Magdalen College, Oxford and made a short speech. The Prince of Wales, in modest and self-deprecating mood, said that he hardly felt qualified to say anything, surrounded as he was by the tutors and students of the first Prince of Wales's Summer School in Civil Architecture. But there were things he wanted to make clear about his concern for the future of architectural education and freedom of discussion. Princes often seem doomed to be misreported and misunderstood and so it is worth looking carefully at his words.

First of all, the Prince said that for him discussion and argument are the basis of all education. He would have agreed with the new professor of architecture at Cambridge who said recently: "Universities are places for debate not dictatorship." The Prince said in his opening speech that his school "is not another round in the battle of styles that tends to go on ad nauseam. It's not just an exercise, and I repeat this, in classical architecture which is so often what people say I am trying to pursue."

I believe that the Prince of Wales is trying to restore a balance to the educational world so that materialistic considerations of architectural technique can be taught alongside the search for spiritual values. As he said in Oxford, what he hopes his school will do, "is remind students that there is something more profound than ourselves which governs the laws of the Universe, that there are certain timeless principles and values which still need to be taught even in an age of technological wizardry and and supreme materialism." These principles are "the ones related in intricate and sometimes mysterious ways to certain mathematical principles of proportion and of harmony, as in music, as with the use of words in order to create sentences of beauty which for some reason or another, inspire and appeal to something deep inside each one of us. It is, I believe, important to learn the the grammatical or mathematical principles before you can construct anything. As Einstein recognised, mathematics is the term we humans use to describe what are seen to be the universal and mysterious laws which govern what we ultimately call beauty."

This is a tall educational order. But it is not an unreasonable one. There were some 200 plus applicants for the 25 places at the Summer School, which suggests a need for a new kind of architectural education. But it not just the Prince of Wales who is unhappy about architectural education. The Government and the profession are also very concerned. It takes a long time for architects to be trained. They need three years on a degree course, then two years on a post-graduate course and two years practical experience training in an architect's office. The Department of Education and Science in a consultation paper issued to architectural schools, the Architects Registration Council of the United Kingdom (ARCUK) and the Royal Institute of British Architects in August, has questioned why it takes seven years to train an architect. The Department wants to know why it should take more than four years.

The DES is very critical of the present state of architectural training and many of the general public must wonder what good such a long training does when they look at so many mediocre new buildings and badly planned developments produced by trained men throughout the country. The DES warned some time ago that the mandatory grant for students was likely to be cut back to funding for only three years but the architectural schools seem unwilling or unable to come up with imaginative alternative shorter courses. In the EEC most full time architectural courses last for five years.

This painting by Rita Wolff is called The Architect's Dream but it could represent the current collapse of the educational structures of architecture. It can be seen in an exhibition entitled "Architecturally Inspired" at Long and Ryle's Gallery, London, from September 6.

As the profession, the schools and others agonise over how good architectural education can be afforded, it is time to recognise how vital well educated architects are to the future of civilised life. But it is also surely time to realise that our environment is much too important to be left to a badly educated architectural profession. Why is it, for example, that town planners and architects are educated entirely separately? Why are the building trades, engineers, surveyors and landscape architects all educated in their own little self contained compartments? Have you ever met an architect who really knows anything about plants or trees? Why is history taught reluctantly? And why are so many architectural diploma shows full of incomprehensible large scale and pointless projects.

There is one area where the woeful ignorance of architects has been damaging to our surroundings for a very long time: the majority of architects do not understand the economics of development. It is not unknown for an architect to produce a scheme for a client that is some 40 or 50 per cent above the budget. How many property developers teach in architectural schools? Why are the most basic essentials of building business practice and management not taught to architects from birth? I have often winced with pain when architects demonstrate lack of financial acumen in front of important clients. The creation of a creative caste of beings who are remote from reality is not the way to improve our surroundings.

Architectural education does need to be more in touch with reality. This does not just mean commercial reality, but "real" reality. It is an old cliché but a true one. No trained architect would consider for one moment living in the tower blocks and grotesque estates that make up too much of the public realm. So why were they built? I am sure they are part of the result of the *folie de grandeur* encouraged by so much architectural education that concentrates for months on giant meaningless projects. I agree with Professor Theo Crosby, who has just been made the new Professor of Architecture at the Royal College of Art, when he says that what is needed everywhere is a fast moving intelligence in small scale problems – housing, infill, detail, ornament, decoration, furniture, fittings. This requires the painstaking construction of a vocabulary with which architecture can be made.

Small things add up: the modest start of the Prince of Wales's Summer School offers some directions and enforced educational cuts do help to concentrate the mind . . .

Colin Amery

SPONSORSHIP

Working for cities

The two most current themes in the arts in the UK are the role of the Arts Council as an advocate for the arts rather than just the distributor of grants, and the importance of the arts as the re-generator of the inner cities. They will combine nicely next week when the planned Arts Council-British Gas Awards, "Working for Cities," are announced.

Or rather not the actual awards – they will be presented in April – but details of the scheme. British Gas is putting up the money to administer the idea, which is aimed at developers and local authorities, alerting them to the contribution that the arts can make to bringing back life, and prosperity, to the run down hearts of many of our once thriving industrial cities.

It is a concept that was first developed in the US, in places like Baltimore and Boston, but it has already proved its worth in the UK, most notably in Glasgow and Bradford. As well as persuading developers to incorporate works of art into their new investments from the start, enhancing the environment, (and land values) the Awards, which will go to arts venues, highlight the role of arts festivals in bringing pride and prosperity, and the opportunities for turning derelict buildings into artists' workshops, studio theatres, and other uses which engender jobs, visitors, restaurants, and, potentially, profits.

Among the schemes that could well qualify for an award would be Dean Clough in Halifax where a redundant textile mill has been transformed into an artistic jewel, with workshops and performing spaces and spin off benefits for the wider neighbourhood. American companies like Citicorp, as well as the British banks, have been active in using the arts for inner city re-generation but this is a first for British Gas, an increasingly active sponsor of the arts.

★

The role of the chairman in involving a company in arts sponsorship is paramount and, in Robert Horton, BP has a chief executive who, from his American experience in Cleveland, is a committed believer in business taking an active part in investing in the arts for community enrichment. Next Friday on the South Bank the new Minister for the Arts, David Mellor, will open the BP Oil Sculpture Exhibition, which was devised to improve the working environment.

The highlight will be a cube shaped abstract which Nigel Hall has sculpted to go outside the new headquarters of BP Oil at Old Street. It is the winner of a competition which attracted almost a hundred entries for the £10,000 first prize, and which involved BP all told in a sponsorship approaching £50,000. Another £50,000 will go on acquiring art for the new HQ and the company is taking the brave step of letting its work force choose the multi-media artifacts which will decorate it.

★

Oil companies remain prominent arts sponsors. Texaco is making its biggest commitment to date, putting up around £100,000 to make possible a series of concerts at the South Bank throughout the new season which will bring regional orchestras to the capital playing alongside international virtuosi.

Shell has a much longer arts commitment, sponsoring the LSO for 14 years. Most of its £300,000 annual investment goes into a regional tour and into scholarships for young musicians. But it has now added an annual commission for a new work by a British composer. On September 20 at the Barbican James Galway will play with the LSO a 25 minute flute concerto which has been written for him by John McCabe.

★

Business in the Arts is moving into a higher gear. It was established, under the umbrella of ABSA, to encourage businessmen with particular skills – in accountancy, computers, marketing – to devote some time to a local arts organisation which might need help in such areas.

A later refinement was designed to enable arts administrators to attend management courses. This scheme was half sponsored by English Estates, with the rest of the money coming from the Arts Council or the Museum and Galleries Commission, and from the arts managers' own organisation. The first six winners of the bursaries have been announced.

They are Louise Honeyman of the London Mozart Players who is going to Henley Management College; Barbara Matthews of Cheek and Jowl who will attend Sundridge Park which is also taking John Summers of Northern Sinfonia and Sue Underwood of North of England Museums; Margaret Saxon of the New Victoria Theatre, Newcastle (Open Business School); and Kath Abrahams of Bloomsbury Theatre (Ashridge).

Antony Thorncroft

Nureyev's Overcoat

THE PLAYHOUSE, EDINBURGH

It is sad to see a good theatrical idea come a cropper, a 90-minute-seems-like-90-years, dozen-scene cropper, replete with ballroom, tireless cast, and a star flailing around in an acreage of self-indulgence. Such is the fate of *The Overcoat*, in which Rudolf Nyreyev appeared last week with the Cleveland San José Ballet at the Edinburgh Festival.

The idea of a ballet based on Gogol's story of the downtrodden clerk who acquires and then loses a glorious new overcoat is fine. Had Flemming Flindt made a piece as taut and nightmarish as his view of Ionesco's *The Lesson* (in which Nureyev has been excellent), then one might salute the enterprise instead of deploring it as self-important nonsense which serves Nureyev badly and the Cleveland Ballet even worse.

The piece is, of course, that most dubious of theatrical pleasures, a star vehicle. The danger is in allowing the star's recognised qualities to dictate the terms. There can be no challenge other than that of incorporating every possible trick by which he is known to his audience; no logic save in battening on the star at every moment; no reason, other than the star's presence. Hence *The Overcoat's* interminable and flatulent activity, the corps de ballet industriously rhubarbing as proles or as guests at what must be the dullest ball every staged in the history of ballet, while Nureyev, got up like Chaplin in baggy pants and quickly-tripping steps, does everything except recite *Excelsior* while riding a bicycle.

The character of Akaky Akakievich, the middle-aged clerk, is one which could offer Nureyev the right challenges at this juncture in his career. There are possibilities of pathos, of wild dreams, of a finale not unworthy of *Petrushka*, but instead he is given broken-winded incident, dramatic inconsistencies, and must force himself through disjointed classical routines (in one he is partnered, ballerina-fashion, by a fellow clerk; in another he is Florimund to his coat as Vision of Aurora).

No-one, except apparently Nureyev, expects Nureyev to dance as he did twenty years ago. The result is painful to watch as single classic steps are slammed at us, and unnecessary. The passing years may have eroded youthful prowess; they have brought an artistry which merits far braver creations - and far greater rewards - than are provided by this portentous nonsense. Nureyev's skills deserve roles which do not parody and feed on his past identity, but explore the present and future of his talent.

The Cleveland-San José troupe also showed on this first, Nureyev's-coat-tails visit, a version of *Coppélia*. Nureyev, of course, was Dr Coppélius, spirited in manner albeit there was a suspicion that he thought his public had caught him slumming. Dennis Nahat, company director and choreographer, has opted for a completely new text which bears no trace of the old and hallowed choreography. Nahat has the skill to bring this off - he has ever been a fluent neo-classical creator - but this Americanised recension has acquired a good many incidental quaintnesses that traditionalists will resent.

There is a mass of archly named characters, archly played, to most of whom I would willingly take a meat cleaver. The extreme vivacity of the cast - no grins but of the broadest - is matched by design which, if it were any brighter, would be having a nervous breakdown. But there are real choreographic rewards under the garish colours, the insane hats, and the determined merriment: a well-reasoned "Ear of corn" sequence, a pretty pas de deux for Swanilda and Frantz, and dashing dances for their statutory friends. The clear shaping of the choreographic incident here is matched by the sound classic style of the dancers. Only 14 years old, shared between its titular cities, the company is a true ensemble, and in Karen Gabay, Laura Moore and the mercurial Raymond Rodriguez (who all shone in leading roles), and in soloists and corps de ballet ,we could see a happily disciplined troupe.

Clement Crisp

The True Story of AH Q

SOHO POLY

The Soho Poly Theatre is in a cellar, almost a dungeon, just off London's Oxford Street. At the performance of Christoph Hein's *The True Story of AH Q* on Saturday evening, there were about 16 people present, so the theatre was nearly half full. This relative lack of support is a pity, because it is an interesting play, extremely well done.

Hein is one of those East German writers who, like Christa Wolf, the novelist, managed to live with the old regime. He wrote *The Distant Lover*, a very good short novel which has been recently translated into English.

Living with the regime did not mean that he was uncritical of it. On the contrary, some of the satire is quite sharp and the social observations highly pointed. It means that although he knew all about the lure of the Federal Republic, he preferred to live in the Communist east, warts and all. It will be fascinating to see how such writers react to the new, united Germany.

The True Story of AH Q is a fantasy set in the storage room at the top of a temple, the time supposedly being the present. Two men, one an intellectual, the other uneducated, are virtually imprisoned there under the fiction that they are mending the roof. The uneducated one is AH Q, played by Crispin Letts. "AH" is pronounced as the interjection rather than as the initials (say) of Adolf Hitler. The "Q" remains enigmatic. Presumably it is a symbol of the pursuit of a quest that is never wholly accomplished.

Michael Shaw (left) and Nick Brimble in the Midnight Theatre Company's production of AH Q at the Soho Poly

Plainly the real setting is an East German village that has known feudalism, religious tyranny, nazism and communism and has never much changed whoever is nominally in charge. There is much talk of anarchy, revolution and the case for law and order. Indeed, a revolution occurs while the play is in progress. All that happens is that the Lord of the Manor comes to be called the Revolutionary Lord of the Manor; the word "revolutionary" is also added to the local Convent of the Immaculate Conception.

AH Q rapes a nun called Maria. She says that she has forgotten what her original name was: the other characters have forgotten their origins as well and no longer have much idea of what they are looking. The rape takes place on stage. The subsequent execution of AH Q takes place off, executions in the market place being a regular feature of village life whatever the regime. The only difference seems to be the style in which they are carried out.

Told like that, the material may sound unpromising. Performed by the Midnight Theatre Company and directed by Rebecca Wolman, it works on stage.

Given events in Germany, this kind of play may be the last of an era. *AH Q*, however, is worth seeing as a reminder that the German Democratic Republic was a more complex society than is sometimes supposed. The old East German authorities were notably sparing in the number of productions they allowed.

Malcolm Rutherford

Fleetwood Mac

WEMBLEY STADIUM

Wembley's summer of rock ended on a low note on Saturday with Fleetwood Mac. Where the *Rolling Stones* had cocked a snook at ageing, and Madonna at propriety, Fleetwood Mac could only offer introspective speculation.

Do the four (fairly) original members of the band – Mick Fleetwood, John McVie, Christine Perfect McVie and Stevie Nicks- whose personal and professional entanglements make *Dallas* seem as mundane as *The Archers*, ever communicate with each other; can John McVie, a shadowy remote presence, talk to himself; what does Stevie Nicks do in the wings between each song, apart from changing shawls, and is she trying to sing flat; does Mick Fleetwood realise what tedium he unleashes on the world when he goes ape during his percussion solo and taps rhythms out of his wired up body; and how can Christine Perfect keep smiling when sharing a stage with such a bunch of detached weirdoes?

At least the quartet has virtually given up communicating with the audience. They leave that to Billy Burnette, who with Rick Vito, provides the guitar riffs and acts as an ever more demented host at a party which never looks like getting off the ground.

You have to project, either with personality or expensive stage effects, to make any impression on the Stadium. Fleetwood Mac played beautiful bedsitter music with the oomph of a deflated balloon. There is an inevitable pleasant glow when they ease into "Everywhere" or "Go your own way" and the other hits of the distant past. There was even a jolt when Burnette dragged them into some of the Fleetwood Mac blues of the late 1960s, which emphasised how severe the switch had been from gutsy R&B to West Coast druggy-dream music.

There are signs they want to return to the real world through songs like "Sweet Little Lies." If they are serious they should start on the small clubs; but the idea of this disjointed, self-obsessed group of millionaires, whose past minglings seem to have turned them into total stage strangers, being clubable is as fantastical as the best of their old music.

Antony Thorncroft

The Evil Doers

THE BUSH, LONDON W12

Chris Hannan's new play for the Bush ends with Tracky, a 15-year-old heavy metal fan, trying to kick start into life her mother who has dropped into a drunken stupor. It is billed as a "contemporary city comedy," and since the setting is Glasgow this might well be the local idea of family support.

"In the end we are all dead" is the reassuring refrain of Tracky's best friend Susan, and seems to reflect Hannan's view that life for the Glaswegian poor is so awful that you might well as well screw out as many laughs as possible.

Sammy (Tom Mannion), Tracky's father, is trying to do his bit for Glasgow, City of Culture, by starting up as a taxi driver, giving tourists a guided tour. Unfortunately he is deeply in debt to loan sharks and unless he can produce £90 by nightfall he is on a one-way trip up a dark alley. We follow him around, from the Burrell Collection to industrial wasteland, with his "fare," a visiting journalist, pursued by his family and his Nemesis.

It is gritty stuff. Hannan, a local lad, is well endowed with one liners from the poetical to the comical, and his actors, directed by Simon Usher, give the piece more than it deserves. There seem to be no obvious villains; no consequence to it all. Is Sammy sinning against working class principles by going entrepreneurial? Is the hit man, Tex, a pawn of big business and if so why is he played with such charming restraint by Douglas Henshall? The characters go through their paces attractively but in a vacuum.

Still, Anthony Lamble cleverly uses photographs to conjure up Glasgow on a bare stage, and Sharon Muircroft and Katy Murphy, as the well contrasted girls who have not quite lost their illusions, are spot on. Lucy Aston plays the journalist, a wimpy southerner. Once journalists were invariably stage heroes; now they are as despised as property developers.

Antony Thorncroft

MALTA

The Financial Times proposes to publish this survey on:

3rd October 1990

For a full editorial synopsis and advertisement details, please contact:

Henry Krzymuski on 01-873 3699 **or write to him at: Number One Southwark Bridge London SE1 9HL**

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS GUIDE

August 31-September 6

OPERA AND MUSIC

London

BBC Symphony Orchestra conducted by Michael Schonwandt with Dezső Ránki (piano). Sibelius, Bartók, Ruders and Berlioz (Mon). Royal Albert Hall (071 589 9465).

BBC Welsh Symphony Orchestra conducted by Bryden Thomson with Kathryn Stott (piano). Elgar, Beethoven and Vaughan Williams (Tue). Royal Albert Hall (071 589 9465).

The Cleveland Orchestra conducted by Christoph con Dohnányi with Mitsuko Uchida (piano). Beethoven and Witold Lutoslawski (Wed). Schoenberg and Bruckner (Thur). Royal Albert Hall (071 589 9465).

Hampton String Quartet rolls over Beethoven. New York-based band makes its British debut with a programme of accoustic classic rock arrangements (Thur). Queen Elizabeth Hall (071 928 3191).

Paris

Festival Estival
Daniel Roth (organ): Franck, Alain, J.M. Arrachard (Mon) Saint-Germain des Pres Church. **European Communities Baroque Orchestra** conducted by Roy Goodman. Handel, Corbett, J.S. Bach, Rameau (Tue). Auditorium des Halles. (48049801, answering machine in English 47208898). **Orchestre Francais des Jeunes** conducted by Emmanuel Krivine. Silvia Marcovici (violin): Strauss, Mendelssohn, Beethoven or Bartok (Mon). Salle Pleyel (45610630).

Brussels

Monnaie Symphony Orchestra conducted by Sylvain Cambreling with Irvine Arditti (violin). Berg, Boesmans, Haydn (Sun). Palais des Beaux-Arts (507 82 00).

Le Grand Orchestra d'Harmonie des Guides conducted by Norbert Nozy (Thur). Palais des Beaux-Arts (507 82 00).

Beaux-Arts Trio. Haydn, Ravel, Schubert (Wed). Conservatoire Royal de Musique (513 83 20).

Antwerp

Jonge Philharmonie conducted by Ronald Zollman with Vadim Repine (violin). Franck, Prokofiev, Britten (Thur). De Singel (03-248 38 00).

Berlin

Opera. *Die Fledermaus* with a new cast led by Lucy Peacock, Ruthild Engert, Jane Giering, David Griffith, Toni Blankenheim and Hermann Winkler. *Fidelio* in Jean-Pierre Ponnelle's wonderful production stars Gwyneth Jones, Marie Mclaughlin, Gerd Brenneis, Helmut Berger-Tuna and Robert Hale making his Berlin debut.

Aida is sung by Bruna Baglioni, Olivia Stapp, Michael Sylvester and Ingvar Wixell. *Cosi fan tutte* has fine interpretations by Angela Denning, Mariana Cioromila, Carol Malone, Alejandro Ramirez, Andreas Schmidt and Gerd Feldhoff. *Rigoletto* rounds off the week.

Bonn

Opera. The new season opens with the premiere of *Rigoletto*, produced by Jean Claude Riber with sets by Chris Deyer. The main parts will be sung by Dennis O'Neill, Jean-Philippe Labont in the title role, Mariella Devia and Stephen Dupont, conducted by Silvio Varviso.

Frankfurt

Frankfurter Feste This year's festival offers enormous choice and variety from Tchaikovsky to Gershwin, Rachmaninov to Schoenberg as well as lesser-known composers. The programme includes Stockhausen's *Hymnen* conducted by the composer and performed by the young German Philharmonic Orchestra.

The *Leningrad* and *Frankfurt* music schools join forces to perform two one-act operas by Rachmaninov and Tchaikovsky as well as concerts. To celebrate the 150th anniversary of Tchaikovsky's birth, the Russian Radio Orchestra, conducted by Vladimir Fedossejew will perform most of his important works. Also jazz, puppet plays, music from distant cultures such as China and Turkey.

Among the orchestras appearing are the San Francisco Symphony Orchestra conducted by Herbert Blomstedt, Baden Baden Radio Orchestra, under Michael Gielen, Orchestre National de France under Charles Dutoit. Soloists include Yo-Yo Ma, Heinrich Schiff, Martha Argerich, Tzimon Barto and the German Chamber Orchestra (0691340 400).

Turin

Settembre Musica Festival. An average of two concerts every day in churches and the courtyards of Torinese palazzi. Until October 21 (info Teatro Regio: 548823).

Milan

Teatro Alla Scala. Rudolf Nureyev's version of *Swan Lake* with sets by Ezio Frigerio and costumes by Franca Squarciapino. Isabel Seabra and Oliver Metz alternate with Isabelle Guerin and Andrei Fedotov in the lead roles, with Nureyev dancing the part of the magician Rothbart (80.91.26)

Verona

Arena. Closing performances of 68th festival include *Aida* conducted by Nello Santi. Martha Colalillo sings the title role, with Diane Curry as Amneris and Franco Bonisolli as Radames also Luigi Squarzina's successful production of *Tosca*, conducted by Daniel Oren. Linda Roark Strummer sings Floria Tosca, with Mario Malagnini as Cavaradossi and Knut Skram as Scarpia (590201).

Rome

Eurmuse. Bob Curtis's Afro contemporary dance company in *Elements* to music by Ruggero Artale. Alfredo Minotti and Karl Potter (5922151).

Amsterdam

Muziektheater. The Netherlands Opera with a new production of *Parsifal* directed by Klaus-Michael Grüber. The Netherlands Philharmonic is conducted by Hartmut Haenchen, with Barry McCauley in the title role. The National Ballet dances *Memories from Underground* (Van Dantzig/Henze) and *Requiem* (Van Schayk/Mozart) (222 455).

Barcelona

Lyon Opera Ballet opens the season at the Liceu on the Wednesday with Prokofiev's *Cinderella*. André Presser will beconducting the Liceu's own orchestra. Ends September 10. GranTeatre del Liceu (412 14 66).

New York

New York Philharmonic conducted by Zubin Mehta with Roberta Alexander (soprano), Gregg Baker (baritone) and the New York Choral Artists directed by Joseph Flummerfelt. Gershwin, Stravinsky (Thur). Avery Fisher Hall, Lincoln Center (874 6770). **New York City Opera.** The week features Janacek's *From the House of the Dead*, with John Absalom as Luka Kuzmic and Jon Garrison as Skuratov in Rhoda Levine's production conducted by Christopher Keene.

John Copley's production of *Le Nozze di Figaro* is conducted by Scott Bergeson with Maureen O'Flynn as Susanna and Dean Peterson as Figaro. Sharon Graham has the title role in Frank Corsaro's 1930s production of *Carmen* conducted by Hal France with John Absalom as Don Jose. New York State Theatre, Lincoln Center (307 7171).

Tokyo

Tokyo Ballet. The Kabuki, choreographed by Maurice Bejart. Tokyo Bunka Kaikan (Mon) (725 8886).

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday September 3 1990

Devolution Soviet-style

IT HAS TAKEN five years for the Soviet Union to draw the appropriate conclusions from its inextricably intertwined political and economic crisis. But last week's dialogue between Soviet President Mikhail Gorbachev and Mr Boris Yeltsin, President of Russia, appears to mark the beginning of a new, concerted effort to create the laws, institutions and mental attitudes required for a fundamental switch to a market economy.

Five years is a long time in anybody's politics. But it is a short time to have accomplished what many thought was impossible – the peaceful demolition of the communist party's monopoly over politics, the economy and society. Without prior emasculation of communist power, the sacrifice of socialist sacred cows would not have been possible in the economic sphere.

But delay in tackling structural problems implicit in the very nature of the Soviet planned economy has led to a severe deterioration in economic performance. The central planners may have lost much of their power to control and direct. But the absence of an alternative system has resulted in a cumulative breakdown in existing patterns of supply and distribution.

Up to now the Gorbachev regime's only positive economic results have been by-products of its brilliantly successful foreign policy. The withdrawal from Afghanistan and other Third World imbroglios, the liberation of eastern Europe and a new era in East-West arms reductions have all lightened the heavy external burden on the Soviet economy.

Full benefit

The world's largest oil producer, Russia will benefit from higher world oil prices as a result of the Gulf crisis and from the conversion of intra-Comecon trade to a hard currency basis from January 1. But with output falling and costs rising the only way to extract the full benefit from oil and other natural resources will be to open up the Soviet Union, and its constituent republics, to the operations of the multi-national oil companies and other foreign corporations which have created the post-war global economy.

Re-integration of the Soviet Union into the world economy is now the stated aim of the Soviet leadership. Experience elsewhere indicates that this will be facilitated by creating the conditions for multi-national corporations to form Soviet subsidiaries and integrate them into their existing global operations. It will take time for inexperienced Soviet managers to find their own way into the wider world.

Implemented reforms

But this will only happen if the reforms now slated for implementation within the "500 day" timetable originally drawn up by Mr Yeltsin's economic team, and now adopted by Mr Gorbachev, are implemented.

Full details are still awaited, but legislation promised within the next three months alone includes wide ranging laws on private ownership, taxation, banking, stock markets and social security regulations. These are to be followed by large scale privatisation and the sale of housing and agricultural land. Next comes de-control of prices and, as yet ill-defined, "stabilisation measures" to deal with the unemployment and acute social tensions which will inevitably accompany such an ambitious programme.

One of the novel features of the joint economic programme is the involvement of 13 of the 15 constituent Soviet republics in the discussion, if not the formulation, of the contents. This reflects both the waning power of the centre and the rising power, or aspirations to power, of the recently elected republican parliaments, and indeed of elected city bosses, not only in Moscow and Leningrad, but also in smaller cities and autonomous regions.

The latest economic programme is not one which can be imposed. Neither will it deflect the demand for independence and national sovereignty in the Baltic states, the Ukraine and elsewhere. But after 70 years of stultifying centralisation it is time for a programme which might allow all parts of the crumbling empire to re-organise themselves on more rational, market orientated lines.

Bleak prospect for coal

PRIVATISING BRITISH Coal ought to be easy. Subject as it is to fierce competition, British Coal hardly needs the complex regulation accorded the big public utilities. The trouble is the opposite one. The industry faces too much competition. It will, in consequence, remain one of the main industrial headaches for the next Government.

That much is clear from the dismal results published last week. Lord Haslam, British Coal's chairman, admitted his disappointment after unveiling £133m in operating profits, down £365m from the previous year. The nationalised corporation only managed to record an operating profit thanks to its opencast operations, which accounted for less than a fifth of its output. British Coal's 73 deep mines notched up combined losses of £149m – and the industry still has to face a host of fresh problems.

The most important is the desire of the soon-to-be-privatised electricity industry to lessen its dependence on British Coal. As anticipated, National Power and PowerGen, the two new generating companies, have a clear incentive to cut their fuel bills, unlike the Central Electricity Generating Board, their monopoly predecessor, which could pass higher generating costs straight through to customers.

National Power and PowerGen intend to increase their imports of low-cost foreign coal. They also plan to build a wave of smaller gas-burning power stations. This twin-track strategy offers the two generating companies not just cheaper supplies. It also promises benefits on the environmental front. With a lower sulphur content than most British coal, foreign coal can help the generators meet targets for combatting acid rain.

Clean gas

So too can the burning of gas, which has the added benefit of emitting relatively little carbon dioxide, the main contributor to global warming. Taken together, foreign coal and gas will reduce the need to install expensive equipment to scrub the sulphur from their power station emissions.

In consequence, National Power and PowerGen have told the Commons Energy Committee that they foresee their combined use of British coal falling to about 50m tonnes by 1996, down from the present level of 70m tonnes. British Coal is protected in the short term by the three-year coal purchase contracts which the Government forced on National Power and PowerGen as part of the preparations for their privatisation. The moment of truth will come in 1993, after the next general election, when these contracts run out.

Steady contracts

The present administration says the free play of market forces will be unleashed at this point; yet it also wants to privatise British Coal. Selling the pits will be all but impossible unless British Coal has long-term contracts for most of its output. For its part, a Labour Government might wish to persuade National Power and PowerGen to take additional supplies from British Coal. But it could not force such a deal on two private sector companies without paying costly, transparent and controversial subsidies.

Lord Haslam is right to complain that the corporation has not been given enough credit for what it has done since the 1984-85 miners strike. The closure of 100 collieries, the shedding of 140,000 jobs and a 90 per cent productivity improvement is an industrial restructuring with few parallels in the 1980s.

But economic life is not about just deserts. The sad fact is that more is needed. There is a profitable deep-mined coal industry struggling to emerge from the bowels of British Coal. But even allowing for the windfall of higher oil prices and the uncertain prospects for nuclear power, this profitable coal industry will probably be little more than half the size of the reduced British Coal of today.

Since British Coal would fetch little, if anything, in its present state, it may be necessary, instead, to prune now and privatise later. One reason for optimism, if that is the word, is that the miners and their unions appear too demoralised to try rewriting this next painful chapter in the saga of old king coal.

Tim Dickson reports that agricultural surpluses are again becoming a problem on the European Community's books

Foothills rising into mountains

The European Community's Common Agricultural Policy (CAP) once again appears to be in serious disarray.

Just two years after the introduction of "historic" reforms designed to limit excess farm spending once and for all, mounting food surpluses are threatening to blast an embarrassing new hole in the EC budget.

Some of the problems – the embargo on trade with Iraq and disruption caused by East Germany's preparation for membership of the EC – may well prove temporary and sort themselves out in the next few weeks.

But even taking an optimistic view of these difficulties there is no escaping that the situation facing Agriculture Commissioner Mr Ray MacSharry as he returns to his desk in Brussels today is bleak in many ways.

Butter and beef "foothills" (if not yet mountains) have ominously reappeared over the summer months; sheepmeat prices, most notably in France, have all but gone through the floor; and international market conditions, combined with the falling dollar, have sharply increased the cost to the Community of exporting its unwanted wheat.

"At least there is a chance that we might be able to reduce our (wine) alcohol stocks in the foreseeable future," a senior Commission official said with unintentioned ambiguity as he pondered the grim outlook for EC market managers last week.

At this stage few know and fewer wish to discuss the financial implications of the latest troubles for the CAP. There is no danger of overshooting the 1990 budget – in large part because of the accounting rules of the Community – but it seems highly probable that provisional Commission spending figures for 1991 will soon have to be hurriedly revised.

The preliminary draft budget for next year, which was published in July, projected that EC farm support would cost around Ecu30.3bn (£20.8bn) out of total spending of Ecu55.405bn – *comfortably within* the overall "guideline" of Ecu32.511bn rigidly fixed by heads of government at the EC summit in February 1988.

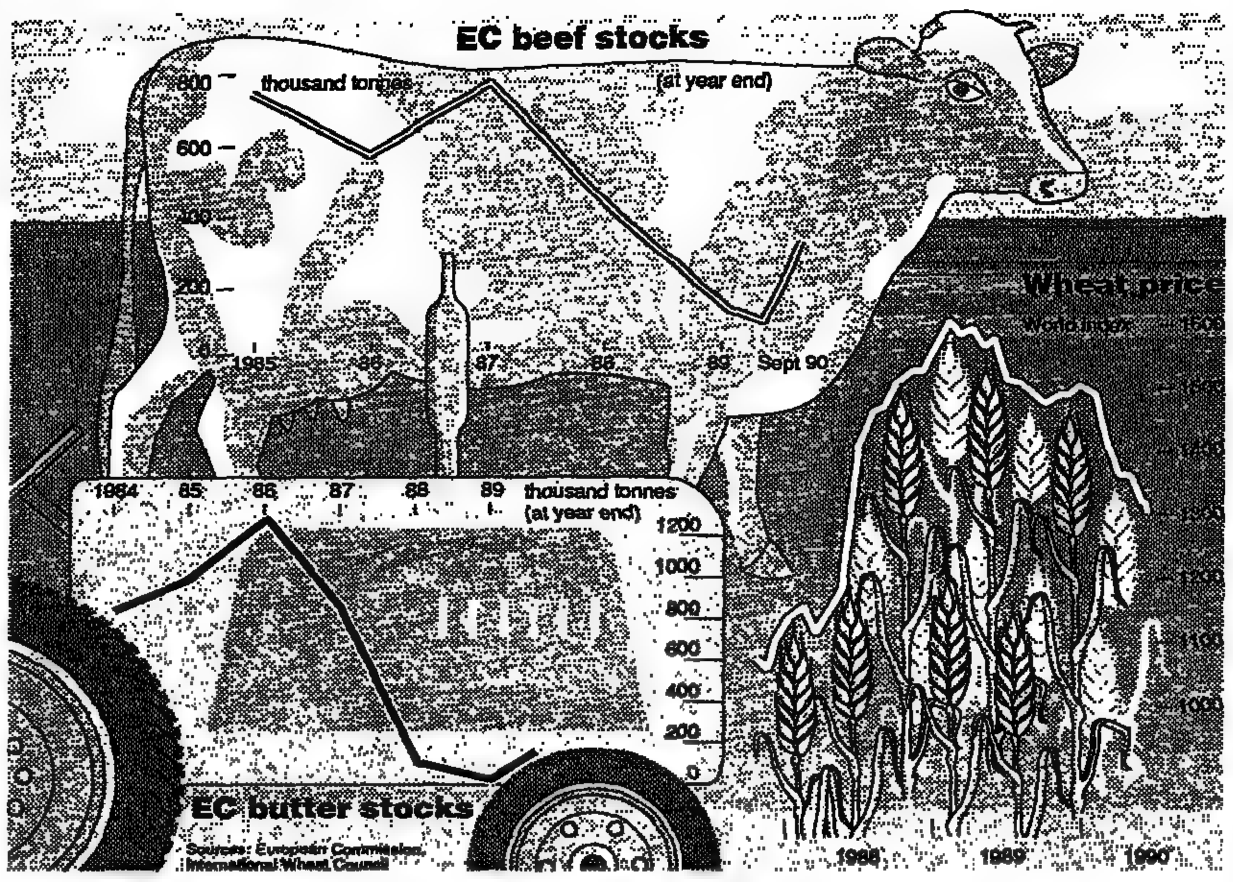
Already, however, there is corridor chat that at least another Ecu1bn will be required for livestock subsidies in the year ahead and fears are being voiced that some cherished principles of budget discipline – briefly the Brussels buzzword before monetary and political union took its place – may ultimately have to be breached.

At the very least it seems likely that Mr MacSharry will have to ask member states for permission to shift resources between "budget lines" (that is, from an underspent sector to an overspent sector) in a manner certainly not intended by architects of the recently reshaped CAP.

The political and economic consequences of all this are just as intriguing with the final lap of the international trade talks known as the Uruguay Round looming into sight.

Agricultural subsidies have been a central theme of these negotiations, of course, and the EC – which funds farmers to the tune of Ecu90bn a year if high consumer prices as well as taxpayers' contributions are taken into account – has come under fierce political pressure to make substantial cutbacks in support.

Brussels' apparent stubbornness has disappointed and dismayed many observers, notably in the US, where politicians and farmers alike fail to understand the power and influence which the EC farm lobby continues to wield. It may be inconceivable to think of the British Prime Minister Mrs Thatcher openly rallying to their cause – but Mr Helmut Kohl, the West German Chancellor, Mr Michel Rocard, the French Prime Minister, and even the Dutch leader Mr Ruud Lubbers quite frequently telephone Commission President Mr Jacques Delors to complain about their farmers' plight. Experience of 1988 suggests that internal financial pressure is much more effective than international opinion in concentrating attention on the excesses of the CAP. The budget alarm bells now ringing in Brussels could yet have a decisive bearing on the wider global efforts at agricultural reform.



Right now, it is enough to remark that recent developments in the chief commodity markets – beef, sheepmeat, butter and grains – have cruelly but vividly exposed the myth of thorough EC agricultural reform.

Not only are most of the painfully negotiated mechanisms known collectively as "stabilisers" proving too weak to keep spending adequately under control; surpluses previously as highly visible as the infamous food mountains are now clearly seen as having being diverted away from the public gaze in the last couple of years in the form of heavily subsidised export sales.

The crisis in the beef market – highlighted by the financial problems facing the Irish beef "baron" Mr Larry Goodman – is probably the most serious and certainly the most noteworthy of them all.

EC production this year will be about 200,000 tonnes more, or 2-3 per cent higher, than last year, reversing a downward trend started in 1987 and upsetting the previous broad balance between supply and demand. Prices have been under further pressure because of imports of live cattle from East Germany (where dairy farmers are adjusting their herd sizes to keep within their new EC milk quota), from consumer fears about "mad cow disease" or BSE, and from the loss of valuable export markets in the Middle East (Kuwait and Iraq normally take around 70,000-75,000 tonnes per year, mostly from Ireland).

In theory, the reform of the regime finally agreed in January 1989 was designed to restrict EC purchases of beef through the "intervention" system and thus to prevent stocks hitting the roof as they did in 1987 and 1988 when they peaked at more than 800,000 tonnes.

Notwithstanding the measures introduced, the beef mountain has risen from less than 100,000 tonnes in April this year to more than 300,000 tonnes today, of which a record 50,000 tonnes was "taken in" in one go last week. Prices are now so low in Ireland

The agriculture commissioner may have to ask to shift resources from an underspent to an overspent sector

and the UK that the so called "safety net" has come into play requiring the EC to accept unlimited quantities from these regions at 80 per cent of the official intervention price (Ecu274.4 per 100kg). Officials fear that at the next fortnightly "tender" they may be forced under the rules of the regime to prop up French and German markets in the same way.

Paying subsidies to beef traders to bridge the gap between high European prices and lower world market prices is ultimately a cheaper instrument of market management than stockpiling because the EC saves on the storage costs. But July's decision to raise these export "refunds" has to a large extent been frustrated by developments in the Middle East, and Japan's increasingly lucrative export market is effectively "off limits" due to a 1985 commitment signed by the then Farm commissioner Mr Frans Andriessen. Overturning this now would be politically disastrous in the context of the Uruguay Round.

Last week's violent protests by French farmers were an ugly reminder of current difficulties in the EC sheepmeat sector (although the protestors were equally beefing about beef and the drought). Prices in France (and elsewhere) have fallen by roughly 10 per cent this year as exports across the Channel from the UK and Ireland, up 20 to 30 per cent, have flooded the market. A huge growth in Irish output, the earlier weakness of sterling, and the abolition of a charge on British exporters under the revised rules of the regime have all been responsible.

Brussels officials are looking at the likely cost of premiums which will be paid direct to lamb producers out of next year's budget. Calculated by means of a complex formula these are designed to bridge most of the gap between market prices and a fixed guide or target price. Even with the offsetting effect of the 1988 "stabiliser," however – which imposes penalties for overproduction – the budgetary costs of the regime look set to nudge Ecu2bn in 1991 (about 20 per cent higher than this year's record total).

In many ways the dairy regime is the most disappointing and disturbing problem of the lot. Production here has been governed since 1984 by strict quotas applied to individual farms, backed up with fines equivalent to 100 per cent of the price for every gallon over the limit.

The system has been held up by many in Brussels as a model for other sectors, despite the fact that the Community still produces 13m tonnes of milk more than it consumes and forked out Ecu3.2bn in an emergency operation agreed in 1988 to melt down the notorious butter mountain.

EC member states were persuaded to swallow that deal as a "one off" clearing of the decks – a policy which seemed to be working as international dairy prices significantly hardened and new curbs served to keep surplus butter and skimmed milk powder out of EC stores.

Decreasing butter consumption and weak world markets, however, have this year combined to fuel a worrying new build up in EC stocks: from below 20,000 tonnes at the beginning of January, the butter mountain is this month almost 160,000 tonnes and growing (with a further 170,000 tonnes sitting in private storage). Skimmed milk powder surpluses, meanwhile, which had all but vanished at the start of the year, today total more than 240,000 tonnes, way above the 100,000 limit which was optimistically set as the supposed cut off point. Much of the trouble is on export markets which have been swamped with skimmed milk powder supplies from eastern European countries desperate to get their hands on hard currency.

In retrospect it is extraordinary that Mr Henri Nallet, the French Farm Minister, was able to persuade the Commission and his counterparts in other member states to increase milk quotas by 1 per cent last year. This now looks like an expensive mistake, however popular politically, since the grim reality for farmers is that production cutbacks look inevitable now as part of the review of the dairy regime scheduled for next year.

Shorter term, one of the dilemmas for the Commission will be whether to stick to its 1989 commitment to "turn off" intervention purchases of skimmed milk from September 1.

The international environment is also responsible for the well-justified budget anxieties in the EC's cereals division. With US grain production recovered from the effects of the 1988 drought – and responding in time-honoured manner to the increased prices which shortages provoked – the world market looks to be well on its way back to a state of oversupply. Prices have slumped from about $160 per tonne to $115 per tonne in the 13 months to July, driven down with the help of the US Government's aggressive export policy.

Latest forecasts by Coceral, the usually reliable Brussels-based trade lobbying organisation, put this year's EC harvest at around 162.5m. tonnes, only a fraction up on last year but still above the vital 160m-tonne threshold which triggers automatic price penalties for producers.

That, however, is not the Commission's major concern. What worries Brussels is the prospect of forking out export subsidies of close to Ecu100 per tonne to avoid an ultimately even more expensive build up in domestic stocks. (At between 11m and 12m tonnes these are not excessive).

One piece of good news is that the oil price jump should increase the buying power of the Soviet Union, the EC's main cereals customer. But against this must be set this year's depreciation of the US dollar, which increases both the cost of disposing of surpluses and intensifies competition from American exporters.

Most depressingly of all, however, the EC reforms have not only failed to curb farm spending; they have left the very people they are supposed to help as dissatisfied and unhappy as ever (more so, judging from the noises from sheep and beef producers coming out of France).

Further measures to tame the CAP will thus be as politically fraught as ever. But they stand more chance of succeeding because of the budget crisis than because of the Uruguay Round.

OBSERVER

Counters to climb

■ There's always a new statistic ready to jump up and bite.

Which, would you say, is the British company for which a sample of new graduates would most like to work? Let me warn you that the answer does not lie deep in the research facilities of engineering, chemicals, or medicine. Nor is it to be found in the high-tech computer offices along the M4, or the car plants, or the City's dealing rooms.

Instead you will find it in every High Street. The winner is good old Marks and Spencer. And that is despite the retail sector taking only fourth place in the students' preferences.

Such is the conclusion of a survey of 500 of this year's crop of graduates carried out by the magazine Business, and Young and Rubicam Capital Image. ICI came second, followed by IBM, BP, and Unilever.

I assume the 1990 graduates want to manage the M andS stores rather than serve behind the counters, for the survey shows them to be a most socially responsible lot. They award the accolade for social responsibility among the big companies operating in Britain to IBM. But the computer giant is only marginally ahead in the poll of their perennial favourite Marks and Spencer.

ICI, British Aerospace, and Rolls-Royce, follow in the listings.

There is another rather curious analysis - the companies that the students would most like to associate with. You've guessed - Marks and Spencer wins again. This time it is followed closely by British Telecom. M and S is flattered by the students' devotion and points out that it employs 62,000 people in Britain, with specialised careeer opportunities in just about every discipline.

Nevertheless, since poring over these charts I'm troubled by a mental picture of the typical British student as a being clad from head to toe in M and S gear, looking for a job in a shop, and spending endless hours on the phone.

Drugs hunt

■ Celltech, Europe's biggest biotechnology research company, believes it has resolved its biggest problem of the past year by hiring two new top executives from the pharmaceutical industry.

And it is not moving into the stratospheric salary levels recently explored by another company in the same line, Porton International, which paid £450,000 a year to lure a new chief executive from Glaxo.

Celltech has hired "on fully competitive terms", says John Jackson, chairman.

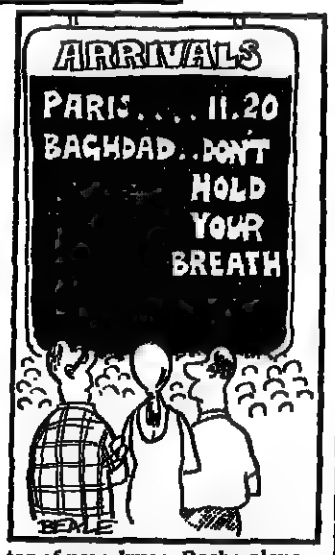
Celltech has been beleagured for a year since its biggest shareholder British & Commonwealth, with 37 per cent, admitted it had to sell. Prospective purchasers were interested in parts but not the whole package. But the crash of B&C has eased rather than exacerbated the pressure, Jackson says.

To replace Gerard Fairtlough, the founding chief executive, who said he would retire when he turned 60 next month, Jackson has hired Peter Fellner, who has been chief executive of the £200m Roche UK operation for the last four years. Fellner, aged 46, previously ran Roche's UK research.

Jackson has also hired a new research director, David Bloxham, from Laboratorios Almirall, Spain's leading drugs company. Bloxham and Fellner are old friends.

Fellner says he had been drawn to a company with only 450 staff and a fraction of his present company's turnover by a conviction that Celltech has great potential as an inventor of new drugs. Roche plans to take a majority shareholding in Genentech, the Californian biotechnology company which served as a model for Celltech's creation in 1980.

Fellner says Celltech should develop a bigger, more complete research and development operation "more like a major drug company", but focus on fewer targets.



Moon glow

■ Yes, there is money out there waiting to support arts ventures, if you have the energy to search for it.

An arts listing magazine aimed at under-40-year-olds in Britain's 350,000-strong Jewish community seems a highly specialised and high-risk publishing proposition.

But Matthew Calman, who had the original idea for New Moon and now finds himself editor, tells me that more than 500 subscribers have, so far, paid between £15 and £100 to raise money for the projected monthly. The first issue will be published later this month when New Moon plc will be launched under the Business Expansion Scheme. Readers will be able to buy shares in the magazine.

"Our research showed that we need £150,000 in the first year to succeed", says Calman, who admits that he and his team are using "guerrilla" tactics to reach their potential audience. They have just done their second mail shot – to every punter who booked by credit card for a successful show given by Jackie Mason, the American comedian earlier this year. The first mail shot was achieved, says Calman, by everyone he knew rustling up names and addresses.

Calman's marketing contacts advised that a mail shot asking for money might, if he was lucky, bring in a 1 or 2 per cent response. "We had 15 per cent response, which brought in £9,000."

Selling advertising in the first issue of an unknown publication is usually an uphill struggle. The New Moon people, "working from a hovel in East Finchley" have sold £5,000 worth of space. The first print run will be 20,000 and the cover price will be £1.50.

Mission off

■ A notice from the London Chamber of Commerce and Industry which has lingered in an in-tray here must have some value as an artefact.

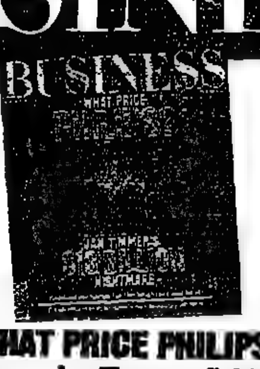
Advertising its first trade mission to Iraq and Kuwait for several years, earlier this summer, the chamber declared of Iraq: "There are many opportunities for British business to become involved. Certainly there is much goodwill towards UK." Kuwait was, "a prosperous economy just getting back into its stride."

The trip was supposed to begin on September 20.

Hello sailor

■ The latest in yuppy talk among the young women of Chelsea is "Sinbad - single income no bloke and desperate."

BUSINESS



WHAT PRICE PHILIPS?
Dutch helmsman Jan Timmers fights a break-up
THE COMPANIES THAT RATE
Tomorrow's business leaders name their winners
GREYHOUND BUSES AT THE CROSSROADS
An American institution loses its way
LUCAS SEES THE LIGHT
Global growth is the target
TOP MARQUES: THE BUSINESS EXECUTIVE CAR GUIDE
A separate 60-page supplement, free with the September issue of BUSINESS including a car-by-car guide to more than 40 different models from 25 leading manufacturers.

Plus Inside Business, John Makinson on the City, Nigel Healey on Economics, Personal Finance... and the BUSINESS Diary by Julia Bright

BUSINESS. The Magazine for the 1990s' generation of business leaders... from the Financial Times

SEPTEMBER ISSUE ON SALE NOW

Place a regular order now, with your newsagent or Fax 071-351 2794 for subscription details
BUSINESS, 234 King's Road, London SW3 5UA
Tel: 071-351 7351

BUSINESS IS AN ASSOCIATE COMPANY OF THE FINANCIAL TIMES AND THE CONDÉ NAST PUBLICATIONS

هكذا من الاعلام

As the Trades Union Congress starts today, **John Gapper** looks at the challenges for the 1990s

Fishing expedition in hostile waters

The pickets have not stood outside the Churchill Hotel in London for two months; the man who ran around the building 80 times in support of union recognition has gone away. A three-year campaign by the Transport and General Workers' Union struggles on quietly although the hotel has ignored its claim to have recruited more than half the 450 staff, and gained the right to represent them.

Union Yes is the slogan of the 122nd Trades Union Congress, which opens in Blackpool today. It is meant to signal a spirit of optimism as the British union movement turns the corner from a hard decade of decline in the 1980s. But faced with employers who increasingly say Union No, and workers who often feel only Union Maybe, it sounds rather like whistling to keep the spirits up.

As today's debate on membership and one later this week on finances will show, last year was a bad one for the TUC. Its membership dropped by 247,000 to 8.4m – a fall of 2.9 per cent. The size of the drop contradicted hopes that it was close to stabilising its membership after 12 years of decline. The TUC faces financial deficits of £1.2m in 1990 and £1.9m in 1991 unless it makes savings.

Just as worrying is a sense of waste: that unions failed to reverse the tide of decline as employment rose from 1983 onwards, and now face inevitable falls in membership from job losses. The drop has little to do with unbridled competition from the EETPU electricians' union, which was expelled from the TUC in 1988. The EETPU admits to having lost some 3,000 members itself last year.

Most unions have employed tactics such as seeking members in expanding industries, or tightening up recruitment. But increases in recruitment have not yet matched the turnover of members. "The truth is we are struggling hard just to stay in the same place," says John Edmonds, leader of the GMB general union.

Apart from rising unemployment, unions face two main problems in regaining the steady post-war rise in membership that stopped in 1979. One is that maintaining members is harder in the expanding industrial sectors, and among the types of jobs which are growing. The second is that employers are displaying more hostility to collective bargaining, particularly for managers and white-collar staff.

Union density – the proportion of union members among employees – stood at 39 per cent last year, according to the Government's Labour Force Survey. It was far lower in industries such as retail distribution (15 per cent) and hotel and catering (11 per cent), which employ a growing proportion of the workforce. The highest density (90 per cent) was in the fast-shrinking coal industry.

Unions are also strongest in job grades which are in relative decline. Warwick University has forecast that there will be 600,000 more jobs for managers and professionals, and 100,000 less for general labourers, by 1995. Union density in manufacturing reaches its lowest (25 per cent) among managers, and is highest (53 per cent) among labourers.

Meanwhile, a few companies in manufacturing have rid themselves of unions, and many service employers have resisted recognition. Particularly worrying for white-collar unions have been moves to cancel collective bargaining for managerial and professional grades. British Telecom, British Rail and the electricity supply industry have all introduced individual employment contracts for managers.

Employer hostility has not always been enough to deflect unions. The brushfire spread of unionisation among general workers 100 years ago was achieved in a series of violent strikes and lock-outs. Industrial action among North Sea oil workers, despite the fragility of union there, is cited by Mr John Monks, the TUC's deputy general secretary, as a modern parallel.

But there has been no comparable brushfire among today's best equivalent of the general workers of 1890 – the mostly non-unionised women working part-time in services. Without a leap of faith among workers similar to that of 1890 – or a shift of employers' attitudes – unions in private industry face extreme difficulty breaking into new areas.

A basic reason for this is cost. Mr Paul Willman of the London Business School says the recruitment of individuals without co-operation from employers is just too expensive for unions. Only by persuading employers to grant recognition – taking on the cost of shop stewards who will sustain recruitment – can unions operate cost-effectively.

The TUC's attempt at co-ordinated three-week recruitment campaigns in Trafford Park, Manchester and London Docklands this year indicates the scale of investment needed to attract people at random. In Trafford Park, unions gained 900 recruits at a cost of £78,200. At £86 each, it was more than twice the £39 paid by an average TGWU member in subscriptions last year.

What can unions do to break into expanding employment areas and protect their traditional strongholds? They can do relatively little to alter employer hostility, and nothing about changes in the workforce. Many are instead trying to change themselves, the services they offer, and the way they recruit in order to attract workers more effectively.

They are looking for what Mr Monks calls "different keys" to unlock a response among service workers, and deepen the attachment of managers and white-collar staff. Union leaders agree that managing conflict is no longer enough. "People are more particular these days: they want a package of services as well as collective bargaining," says Mr Garfield Davies, Usdaw's general secretary.

An acute problem is how to hold on to managers and white-collar staff who are taken out of collective bargaining. The answer adopted by the Institution of Professionals, Managers and Specialists, is to offer a legal and financial consultancy service for managers who now have to negotiate their own contracts in companies such as Amersham International and Royal Ordnance.

Mr Bill Brett, IPMS general secretary, says the union has no alternative but to follow the trend towards individual employment contracts, despite the expense. "Employers are decentralising bargaining to individuals, and if unions do not follow them, we will not be giving a service to members who are probably more in need of it than ever," he says.

But even the supporters of these changes foresee a continuing struggle just to maintain union density in the private sector. Under a Conservative Government, unions' chances of expanding recognition will remain uncomfortably at the whim of employers. Without such deals, the cost and difficulty of recruiting members are much greater.

For this reason, there is a lot of interest within the TUC about one of the Labour Party's proposals for reforms of employment law. The party has promised to bring in a legal mechanism under which unions with members in a workplace could force unwilling employers to grant them collective bargaining rights for the first time in a decade.

This proposal promises to compensate for the loss of the closed shop. "The closed shop didn't do much for us in the docks, or bring many women or blacks into Smithfield market," says Mr Bill Morris, TGWU deputy general secretary. Instead, unions might win forms of recognition according to the number of members in a workplace. Recruitment drives could turn into reasonable investments.

The latter is not a foregone conclusion. The last experiment under the 1975 Employment Protection Act only brought about 60,000 workers into recognition agreements in four years and was said by the conciliation service Acas to have had "no more than a marginal impact except in one or two sectors of industry." But it still looks like the best hope for unions whose efforts are foundering without it.

"If we have access to people who are not in unions, and if there is a mechanism to offer them recognition once they join, the brushfire will catch," says Mr Edmonds of the GMB. British unions have recovered from decline before, but the present spell has been long and brutally hard. Without a law to stop them, it will keep getting easier for employers to dampen down the fading cry of Union Yes.

A last lingering look at the other Germany

By Samuel Brittan

Articles on "What I did on vacation" are normally to be avoided. But as my holiday included a few days in the "German Democratic Republic," which is to disappear on October 3, an exception might be excused.

Some things have changed remarkably quickly. The town of Karl-Marx-Stadt is nowhere to be seen, as it has been replaced by its old name of Chemnitz on all signposts. Yet the Federal Republic still seems more physically separated from the DDR than from other German-speaking countries such as Austria. This is partly because the crossing points are still far between. Two places which seem very near each other on the map are often a long drive away.

Mutual staring at each other by West and East Germans is still a popular sport. DDR city centres are full of West German cars and prosperous-looking businessmen gazing at their new fellow citizens who stare back, sometimes anxiously and furtively. When the border fence was a real barrier, West Germans could not resist the temptation to look into the DDR from any possible vantage. At one point the border came down to a river clearly visible from the road. A viewing table had been erected with details of some medieval battle, an excuse which fooled no one; and even now people stop their cars to gaze at the "other Germans" over the river.

Along the autobahn the first sign of the DDR is now several rows of large frontier posts, police stations, customs buildings, watch towers and search lights – all deserted, and looking like some weird moonscape or some Kafkaesque dream in which one comes across the relics of a lost totalitarian state on a country drive.

But later impressions were more favourable. We went off the autobahn into the Harz mountains where West German visitors were looking fondly at the local steam trains. Although we were near the Brocken Mountain, known for the celebrations of the witches' sabbath, people remarked favourably on the absence of souvenir shops and other junk. The witches were represented by two small drawings outside the station buffet, itself looking like a scene from a German film of the 1920s.

Eventually we arrived at Bach's birth place in Eisenach at 4.30 pm, the announced closing time. But we were warmly welcomed and shown around the house, and were only reluctantly allowed to depart a little after 5 pm. Can you imagine that happening in Stratford-on-Avon or in Tuscany?

But this nostalgic mood did not last. For even near the former border, the East German towns looked very run down. The most depressing part of the journey was along the autobahn to and from Dresden in the extreme south-eastern corner of the DDR. It was like Disraeli's description of the Manchester landscape in Book III of Sybil. We could just see the dim outlines of industrial cities through the smog. Around us was a mixture of huge collective farms, even more inefficient than the subsidised cosmetic farming on the other side of the border, and factories which looked as if they came from museums of industrial archaeology.

Dresden was previously known as the Florence on the Elbe. A Communist guide to the DDR emphasises the saturation Anglo-American bombing in February 1945, "only a few weeks before the end of the war." It maintains that the intention was to leave a sea of ruins for the incoming Soviet troops. The tourist photographs do not show, however, that the restored historical centre is surrounded by rubble, buildings still in ruins, and barrack-like apartments and offices announcing that one has well and truly arrived in a former People's Democracy.

Dresden citizens may not believe the Communist explanation. But they recall the bombing as if it were last year. Nowhere, however, are the delapidations and the bombed-out buildings nearly as bad as in New York's South Bronx.

As far as a non-window gazer can tell, shop prices are similar throughout Germany. But the physical distribution network in the former German Democratic Republic cannot handle the demands placed on it. On our way out of the DDR towards Bayreuth, we were met by a continuous stream of Trabants and Wartburgs and they certainly had not returned from paying homage to Richard Wagner.

A frequent talking point was whether the former DDR will be able to keep some of its better habits or whether brash commercial attitudes will take over completely. It is necessary to be very careful here because the media in both parts of Germany still affect a contempt for the market economy, and have a yearning for some kind of soft collectivism without the Stasi (the former DDR secret police). The message being put out is that those with the sharpest elbows will win. This is difficult to reconcile with the Federal Government's huge financial expenditures in bolstering the East.

Certain tell-tale words give away those at heart opposed to reunification under a market economy, such as "annexation" and "takeover." A guide ended her narration by offering her best wishes to any unemployed DDR workers in her group.

The role of the West German unions in promoting this unemployment by pushing for premature harmonisation of wage and social security measures is played down by the soppy-minded. A more objective thumb-nail sketch was provided by a Bundesbank official I encountered, who considered that East German productivity levels were at best 40 per cent of West German ones, and earnings ratio of 60 per cent was the minimum required to stem the population outflow.

The best hope of the eastern parts of the new united Germany of preserving some distinctive features of "the old Germany" is not through a fruitless search for a middle way between capitalism and collectivism, but by extending the role of the Länder (regions) along the lines pioneered by Bavaria which proclaims its separate identity by large signposts saying: "You are now entering the free state of Bavaria." Such signs are now being erected in Lower Saxony, where such romantic gestures have previously been unknown. Changes are not confined to the East.

Certain tell-tale words give away those opposed to reunification under a market economy

LETTERS

'Ostensibly China may now be on the right side'

From Mr Peter Carey.

Sir, Your editorial on Cambodia (August 31) rightly welcomes the ambitious UN peace plan as probably the last chance for an internationally-brokered settlement of the 20-year-old conflict. But it is over-optimistic about the willingness and ability of the Chinese to bring pressure to bear on the Khmer Rouge.

Ostensibly China may now be "on the right side," but it should be remembered that the current Chinese leadership, in particular Deng Xiao-Ping, has a long-standing relationship with the Cambodian Communist Party. This relationship dates back to Pol Pot's first visit to Peking in 1965. Although Deng was personally critical of Khmer Rouge excesses during their 1975-78 terror regime, his support for Pol Pot never wavered.

Since 1979, when the Khmer Rouge were overthrown by the Vietnamese, it has been Chinese arms which have ensured the military resurgence of Pol Pot's forces. Last year alone, Peking supplied them with more than $100m worth of military equipment, and it is estimated that the Khmer Rouge now have at least two years' supply of ordnance buried in secret jungle locations with which to prosecute their guerrilla war.

In the unlikely event that Deng and other Chinese leaders are prepared to forgo more than 25 years worth of military and political aid to the Khmer Rouge, Pol Pot's forces are now in a position to survive independently in Cambodia.

Besides their arms caches, they also have important sources of revenue from the Pailin gem mines and western Cambodian logging concessions (leased out to Thai-Chinese contractors), and have moved a substantial number of their 100,000-strong captive civilian population across the border from their Thai-based refugee camps.

It is this population which has provided them with the bulk of their military recruits and porters for their guerrilla armies.

The alacrity with which the Khmer Rouge have welcomed the UN peace plan should give pause because it highlights the way in which they are prepared to use international diplomacy for their own ends.

Their strategy is a long-term one: a return to total power in Cambodia by the end of the century through a combination of military attrition and political manipulation.

By offering them the chance to participate in the Supreme National Council and subsequent elections, the UN plan gives them the opportunity to gain a foothold in any post-settlement Cambodian government.

It is a recipe for disaster.

Peter Carey,
Trinity College,
Oxford

Noise quotas in the night

From Mr Alan Proctor.

Sir, Mr Little of British Aerospace appears to have been ill-informed (Letters, August 28). He alleges that BAA has acted in a hostile manner towards the BAe 146 aircraft despite its low noise profile when we introduced new airport charges in April of this year. This is not true.

Most 146 operators this year faced increases in the range of 10 to 15 per cent overall. His figure of 49 per cent increase is based on one element of charges at one airport in one narrow time period. For the remainder of the year both charges and increases were much lower.

Mr Little also tries to compare unfavourably BAA's policies on aircraft noise with those of Manchester. This claim is equally misguided.

The night quotas for quiet aircraft at our airports are set by the Department of Transport and not by BAA. Moreover, we are most mindful of the impact of noise.

For many years BAA has given a discount of 20 per cent in its landing charges to noise-certified aircraft, and two years ago introduced a further discount of 5 per cent for "super" quiet aircraft such as the BAe 146. We intend to develop this discount further following consultation with our airline customers.

Alan Proctor
Managing Director,
Heathrow Airport Limited,
Heathrow Airport,
Hounslow, Middlesex

An absurdity for the 1990s

From Mr Bernard Keeffe.

Sir, Isn't it time we moved out of the horse and buggy era in the transfer of small sums of foreign currency by bank draft? One bank charges a minimum of £10, another £6, while the newest player in the banking game, Abbey National, doesn't offer the service at all. The process is ludicrously slow: the Bank of Scotland told me that it needed two or three working days, and in effect took a week to produce a draft for a small sum in D-Marks, when billions of pounds are being transferred across the world in seconds by the touch of a button.

Credit cards can be used in some circumstances, but even in Germany the system is not widely available. Leave aside the movement towards a common currency, which can't come soon enough for me, it is absurd that we approach 1992 without a simple system of transferring small sums.

Think of the opportunities for the mail order business. Since we can buy foreign currency over the counter, why not a money order in the relevant currency, made out to the payee, purchased with a small fee at the prevailing exchange rate. Why not extend the home banking system to other countries, so that sums can be transferred by computer from one account to another. The first bank that introduces such a system will get a lot of business.

Bernard Keeffe
153 Honor Oak Road, SE23

Japan joins other nations in response to the Gulf crisis

From Mr Hiroyasu Ando.

Sir, On August 29 the Government of Japan announced a package of measures of contribution to peace-restoring activities in the Middle East.

Considering the endeavour of the Japanese Government to keep abreast with international efforts, culminating in today's announcement, I was rather disappointed to see the letter from Mr Anton Poot ("Time that Japan stopped dithering" August 25).

Mr Poot argues that Japan should stop dithering over the burden-sharing of the Gulf crisis if it is to be able to claim to be a full member of the group of leading nations.

Such criticism cannot be accepted if one gives due consideration to the positive reaction of the Japanese Government over the past weeks: the Government, as early as August 5, decided to take measures, including the oil embargo of imports from Iraq and Kuwait, to condemn the Iraqi invasion, and has been faithfully implementing the United Nations Security Council Resolution; the Government has called upon the Japanese nation to conserve energy by raising the temperature of air-conditioning to 28 degrees centigrade and turning off one third of all lights.

While condemning the Iraqi Government for holding 200 Japanese nationals, the Government of Japan has been considering taking further steps to contribute effectively to the crisis so as to live up to its burgeoning international responsibilities.

Against this background, the Foreign Minister has recently visited the region to grasp the situation of the adversely affected nations. The measures announced on August 29 are the product of such developments; and if one considers these careful deliberations of the Japanese Government, it should be more than obvious that Mr Poot's argument is rather off the point.

As you might already know, the Japanese Government's measures of contribution to peace-restoring activities in the Middle East consist of transportation, medical and financial co-operation and co-operation in kind; and in addition, assistance to affected countries in the region and evacuee relief.

I would like to emphasise that co-operation, and not criticism, should define our common goal at this critical juncture.

Hiroyasu Ando,
Director, Japan Information and Cultural Centre,
Embassy of Japan,
101-104 Piccadilly, W1

WHEN you first handle a Patek Philippe, you become aware that this watch has the presence of an object of rare perfection.
We know the feeling well. We experience it every time a Patek Philippe leaves the hands of our craftsmen.
You can call it pride. For us it lasts a moment; for you, a lifetime.
We made this watch for you – to be part of your life – simply because this is the way we've always made watches.
And if we may draw a conclusion from five generations of experience, it will be this: choose once but choose well.
A Patek Philippe – because it's for a lifetime.

PATEK PHILIPPE
GENEVE
Exclusive Patek Philippe showroom, 15 New Bond Street, London
Asprey & Co Ltd, 165 New Bond Street, London
Garrard & Co Ltd, 112 Regent Street, London
George Pragnell Ltd, 5 Wood Street, Stratford-upon-Avon
Hettich Ltd, 1 King Street, Jersey, Channel Islands
Available from all showrooms of
Throughout the United Kingdom

BALANCED That's BTR

FINANCIAL TIMES

Monday September 3 1990

071-928 7439
fee
Computer Maintenance and Service

Hong Kong Stock Exchange: the saga of Ronald Li comes to court this week

Colony aims to clean up its financial image

By Angus Foster in Hong Hong

IN the first week of October 1987 Mr Ronald Li, then chairman of the Hong Kong stock exchange and seen as the leading figure in the colony's financial markets, attended a banquet on the 107th floor of the World Trade Centre in New York.

Proudly, and perhaps with a tinge of boastfulness, Mr Li told the International Federation of Stock Exchanges about the achievements made in Hong Kong since he helped unify the colony's exchanges in 1986.

The banquet was to be the pinnacle of Mr Li's success. Within a month, world stock markets had crashed. In a controversial decision, Mr Li closed the Hong Kong exchange for four days, citing settlement problems. When the market reopened, Hong Kong dived 33 per cent in one day.

Just over two months later, officers from Hong Kong's powerful Independent Commission Against Corruption arrested Mr Li under a prevention of bribery ordinance, and sparked off the latest sensational episode in Hong Kong's colourful history of financial scandals.

Mr Li is finally being brought to trial this week. He is accused of accepting shares in Cathay Pacific Airways and Novel Enterprises in return for supporting or not delaying the granting of a listing on the stock exchange to the companies in 1986 and 1987 respectively.

Ronald Li: on trial this week

The trial threatens to be lengthy and high-profile. Prosecutors are expected to bring several well-known businessmen to the stand, including the former chairman of Cathay Pacific and eminent merchant bankers.

The outcome of the trial is extremely important to the Hong Kong Government, which was badly embarrassed by the closure of the exchange and has since invested considerable political capital trying to clean up Hong Kong's image as a financial centre and in trying to bring Mr Li to trial.

The case will also have a bearing on already low morale at the Government's legal department, which has itself been rocked by scandals recently.

The 60-year-old Mr Li, on bail of HK$7m ($901,550), has remained silent throughout his 2½ year wait for trial. That may have been the hardest part for a man who has a reputation for being outspoken and headstrong.

Born into a wealthy family with trading and shipping interests, Mr Li soon found his own talents lay with stock markets. After studying accountancy in the US, he returned to Hong Kong in the 1950s to take over the family business, which was quickly refocused towards share investment.

As his influence and wealth increased, he felt confident enough by 1969 to start a new stock exchange in Hong Kong and threaten the official bourse.

By 1986, with turnover on his exchange matching that on the established bourse, Mr Li was in a position to achieve the unification of Hong Kong's stock exchanges.

By the heady days of September 1987, market capitalisation had almost doubled since unification of the stock exchanges, and daily turnover had rocketed from HK$250m to more than HK$4bn on good days. More than 30 companies were seeking public offerings before the October crash intervened.

Mr Li's management style was controversial. He often styled himself as a defender of small Chinese brokers being threatened by international banks and brokerages rushing into Hong Kong, who were not then allowed exchange seats. In 1987 he caused a storm by suggesting that the foreigners thought they deserved seats "because the colour of their skin is white."

The real damage inflicted by Mr Li's management style was not unearthed before the release of an independent report on the exchange, commissioned by the Government in the wake of the crash and conducted by Mr Ian Hay Davison, the former chief executive of Lloyds. The report said "an inside group treated the (stock) exchange as a private club rather than a public utility" and added that although its governing committee had been successful in attracting business, they failed to introduce proper management and regulatory arrangements.

At the start of this year, Mr Li was asked by a local journalist what would be his new year's resolution. Mr Li said he would try and improve his golf. "But I won't be investing in any stocks," he added.

Unification costs emerge as election issue

By David Goodhart in Bonn

THE PRICE of paying for German unification is likely to become a significant issue in the election campaign following the decision by the Social Democrats at the weekend to support tax increases to help cover costs of the unity.

The announcement, which was made by Mr Oskar Lafontaine, chairman of the SPD, and which coincided with the launch of the party's election manifesto, is likely to put pressure on Chancellor Helmut Kohl to spell out the costs of unification.

Mr Kohl's centre-right coalition Government had ruled out any tax increases to pay for unification, whereas the SPD, until yesterday, had declined to clarify its own position, preferring instead to accuse the Government of hiding the true costs of unification.

Mr Oskar Lafontaine, the SPD's candidate for Chancellor in the December election, has made it clear that he believes the costs of unity, which he estimates at about DM100bn ($64bn) a year, will have to borne by the taxpayer.

He said the SPD wanted the better paid to shoulder more of the burden through a "supplementary tax."

Mr Lafontaine also unveiled the SPD's 100-point manifesto for the election, a modified version of its pre-unification programme for an "ecological restructuring" of the economy.

The programme still includes the plan to restructure the tax system to promote energy saving and to phase out nuclear power.

In addition, the SPD proposes a big public works investment programme to provide jobs and improve the infrastructure.

The programme is aimed at raising living standards as quickly as possible in East Germany. "Unity [must be made] a reality in everyday life," states the manifesto.

The SPD also wants to reform social and family policy in West Germany and, more controversially, end the so-called "Aussiedler," the special status for east Europeans of German origin, and to tighten Germany's liberal asylum law.

Finally, the SPD wants to extend East Germany's nuclear weapon free-zone to the whole of a united Germany, something which would not please Germany's Nato allies.

● The partial takeover of East German politics by West German politicians continued at the weekend.

Mrs Anke Fuchs, a leading West German Social Democrat, was chosen as the SPD's candidate for the premiership of the state of Saxony in East Germany's state elections on October 14. Her Christian Democrat opponent is the West German Mr Kurt Biedenkopf.

US plans write-off of Egypt's military debt

By Lionel Barber in Washington and Tony Walker in Cairo

THE White House plans to write off all or part of Egypt's $7bn military debt to the US.

Mr Atef Sedki, Egypt's Prime Minister, yesterday welcomed the move, which has to be approved by Congress, but warned that people would suffer increased hardship because of the Gulf crisis.

Egyptian officials were clearly delighted, however, that the US was proposing to ease Egypt's debt burden significantly. Repayments on the military debt amounted this year to $660m and even before the Gulf crisis erupted US officials were alarmed about the danger of their principal Arab ally sliding into default.

President Hosni Mubarak's support for the US military build-up has made the case for writing off the debt much stronger.

Cairo has been lobbying for forgiveness for several years but the US Treasury had blocked such a step. The US provides Egypt with $2.3bn in grant aid annually. Of this, $1.3bn is Foreign Military Sales assistance.

The US converted its military assistance to grant aid in 1985. The $7.1bn debt, including principal and interest, has accrued from loans provided before 1985 at an average rate of interest of 12.1 per cent.

However, there are signs that the proposed debt write-off may not be unconditional. Some leading Congressmen, notably Senator Sam Nunn, chairman of the Senate Armed Services committee, are pressing for the Arab states to add to their own forces in Saudi Arabia, not only with troops but also with mechanised support such as tanks. Egypt is the obvious target, and the extent of its support could be linked to the size of the debt write-off.

A presidential spokesman in Cairo said last night that if Congress endorsed Mr Bush's proposal it would be a great help. However, he noted that Egyptian losses from the Gulf crisis were running at about $2bn annually.

Egypt estimates that remittances from expatriate workers returning home or otherwise affected by the crisis will be down by some $1bn. Tourism revenues are expected to be substantially reduced, and Suez canal dues will also be hard hit.

Egypt is likely to be the recipient of substantial assistance from Japan, and possibly from the World Bank and International Monetary Fund. Cairo has been engaged in protracted discussions with the IMF on support for a new economic reform programme.

Gulf crisis puts pressure on Spanish economy

By Peter Bruce in Madrid

THE Spanish Government has begun preparing the country for new economic restrictions, which it claims have been forced on it by oil price rises, following Iraq's invasion of Kuwait.

Mr Felipe Gonzalez, the Prime Minister, warned on Friday night: "I am not prepared to put Spain through its experience of 15 years ago in the first oil crisis."

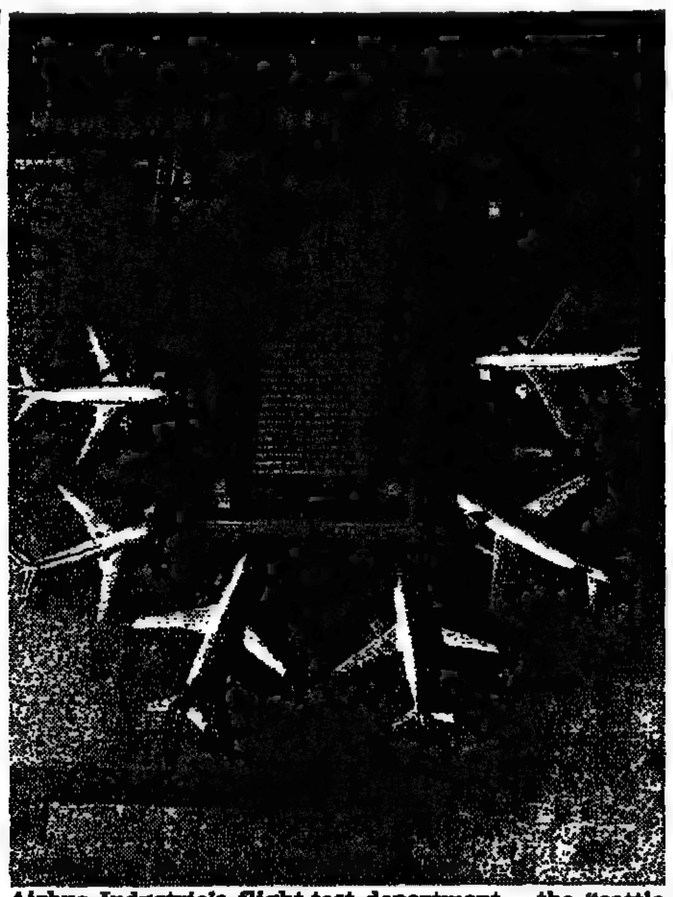
He said salaries and prices would have to be held in check to prevent the country from a recession. Assuming what one minister called the "worst case scenario," Carlos Solchaga, the Finance Minister, is expected to present a hurriedly revised draft budget for 1991 to the Cabinet in the next few days.

The Prime Minister's warning has been fiercely criticised by opposition and union leaders, who have pledged to fight any wage cuts.

Petrol prices are due to rise tomorrow for the third time since the invasion, and Mr Solchaga has acknowledged that the Gulf conflict has already scuttled his hopes of cutting inflation by a full percentage point to 5.7 per cent this year.

Despite high interest rates and tight credit restrictions, money supply has been growing well above target and falling tourist receipts have jeopardised hopes of containing the 1990 current account deficit to $16bn.

Industrial production fell nearly 2 per cent in the first half of 1990, and, while the strong peseta may soften the effects of rising oil prices, there is so little room for manoeuvre on monetary policy that the government feels it may now have to find budget cuts and prepare to fight the unions on wages.



Airbus Industrie's flight-test department – the "cattle trough" – close to Aerospatiale's Toulouse factory

Airbus 'to make profit'

Continued from Page 1

tium was still a long way to making a significant return on capital for its partners.

Although the commercial aircraft market is enjoying a boom in orders with all manufacturers working to full capacity, the US and the Europeans are still at odds over the question of what the US claim are subsidies to the Airbus consortium.

Negotiations are taking place between Washington and the European Commission and Mr Pierson said the deadline for the talks was the end of this month.

He claimed that the Europeans had made significant concessions but the US was still reluctant to reciprocate.

The Europeans are understood to have agreed to reduce the level of government support on new aircraft programmes from 70 per cent to 45 per cent but the US is still insisting on a 25 per cent limit.

However, Mr Pierson also suggested that the US was not prepared at this stage to make any important concessions on the European claim that US aerospace companies were indirectly subsidised under US defence procurement procedures.

Moreover, he attacked the low dollar exchange rate as another example of US trade policies to support US industry.

West tries to allay fears of war

Continued from Page 1

sion of domestic political support for the President's Gulf policy. Most members have voiced individual support, but have expressed concern about the cost as well as the scope of US objectives.

Senator Sam Nunn, chairman of the Senate Armed Services committee who ranks as the most influential Democrat on defence issues, stressed yesterday that the US military mission in Saudi Arabia was to deter and, if necessary, defend against Iraqi aggression. It did not extend to an offensive role to force Iraq out of Kuwait.

Mr Nunn, who has just returned from Saudi Arabia and Egypt, said the US would need "Korean War" type forces to take on 24 Iraqi divisons with the potential of 5,000 tanks defending Kuwait. An offensive US role would also risks destroying the interantional coalition against Iraq and the accompanying United Nations economic embargo.

Senator Robert Dole, speaking from Leningrad on CBS News, agreed it was time to let sanctions work. Mr Dole, leading a Congressional tour of the Middle East, is scheduled to meet Mr Gorbachev on Wednesday."

While not ruling out the use of US force, Mr Nunn's comments largely reflect the views of the Bush Administration which wants to let UN sanctions take hold while drawing up a long-term strategy of "containing" President Saddam Hussein.

Part of the plan is for the US to bolster Iraq's opponents in the region such as Saudi Arabia, Egypt and Israel with major sales of sophisticated weapons.

Reports in Washington suggest Mr Bush has signed a national security directive allowing the Central Intelligence Agency to use covert action to destablise the Baghdad regime.

THE LEX COLUMN

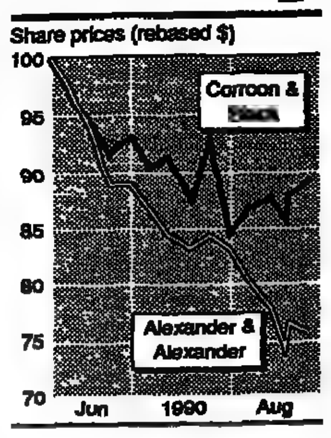
Making sense of brokers' pay

As London's stockbrokers reassemble after the summer lull, their masters will be brooding on the industry's central problem: why, despite losses, closures and overcapacity, are these people paid so much? The question relates not to the small band of genuinely talented brokers. The problem is rather the youngish, mediocre operator who still finds that if employers will not pay an uneconomic salary, competitors will.

Part of the answer lies with the industry's history of restrictive practices, which allowed high returns to its workers through the monopoly application of union rates, otherwise known as fixed commissions. The abrupt shift to competition four years ago did nothing to reduce the expectations of the workforce. Instead, Big Bang attracted a huge amount of fresh capital, which ever since has been devoted to raising overheads further in an attempt to drive the competition away.

Add to this the industry's traditional lack of formal training, which means it is generally cheaper to poach people than to recruit from scratch, and it is plain that the problem is deep-seated. Perhaps best hope lies in the fact that the generation of managers responsible for Big Bang strategies is now moving towards retirement. The longer resolution is delayed, the more UK stockbroking risks being classified as a commercial graveyard.

Failing that, one of the industry leaders has to declare a policy on pay and stick to it. The point is not necessarily that top broking salaries are untenable; the sums earned by the stars of merchant banking, who operate in a broadly free market, suggest that City skills command a high price in relation to the economy as a whole. What is needed rather is the establishment of differentials. The industry's free market tenets require nothing less.



Europhoria

There is something rather touching about the continuing investor loyalty towards the two great euro-projects, Eurotunnel and Euro Disneyland. Admittedly, both shares are well below their peaks of over £11. But Euro Disneyland shares are 26 per cent above the issue price and Eurotunnel shares are nearly double where they were shortly after flotation.

Given that interest rates have risen sharply, the oil price is up 40 per cent and economic prospects have worsened, the strength of the shares is remarkable. Eurotunnel shareholders will be lucky to see a dividend before the turn of the century. Euro Disneyland is considerably less risky; but it will still be several years before the shares offer anything like a decent income.

Both shares ought to offer an above average return, especially in a bear market. But at current prices, the estimated rate of return for both is under 14 per cent. With long gilts offering close to 12 per cent and an average return on equities of 15 per cent plus over the last 25 years, the shares are not reflecting the very sizeable risks.

Contrast the performance of Eurotunnel and Euro Disneyland since flotation with that of Hays, one of the biggest new issue flops. It came to the market at the same time as Euro Disney, is paying a reasonable dividend and has minimal gearing. Its profits are expected to continue growing and it is selling on nine times current year earnings. Nevertheless, its shares have significantly underperformed Euro Disney's, which are selling on 14 times projected 1995 earnings. So for that matter have those of Walt Disney, the US parent, which stands to earn far more out of Euro Disneyland than the latter's shareholders and is selling on 14 times earnings for 1991.

Willis/Corroon

Four weeks before shareholders vote on the marriage of Willis Faber and Corroon & Black, the issues are becoming clearer. The drop in Willis's stock, partly offset by a weaker dollar, means the all-paper deal is now worth only about $32.60 per Corroon share: the shares were fetching $39 in January. An added complication is that Corroon has bought numerous broking businesses with its own shares: and some of the vendors, still with Corroon, would presumably prefer hard cash from Willis.

But most of them have little choice, not being very powerful within the firm. New York's arbitrageurs have shown zero interest in the Corroon situation; no other bidders are around; and as the stock price of Alexander & Alexander shows, other US insurance broking shares are weak. So on the US side, the deal seems all over.

As for Willis's shareholders, Friday's offer document confirms that Willis's tie to its former partner Johnson & Higgins accounted for 11.5 per cent of Willis's 1989 broking turnover, which is a lot. But on the plus side, the management responsibility divisions in the offer document suggests that this time around, Willis is treading much more delicately than in its ill-starred 1987 merger with Wrightson.

Japanese warrants

Amid the ruins of the Tokyo market, optimists have sought hope in the fact that the classic bull market instrument, the bond issue with equity warrants, is not dead. But the syndicate managers who reopened the market in early July are taking a gamble. When they closed the market in March, they did so in panic after the Nikkei index had fallen sharply several times and was threatening to plummet. Now, despite a much worse drop since the Gulf crisis began, they are in a bind.

The big four brokers have said that to close the market again might terminally damage this sector, which raised $63bn of bonds with warrants last year. But keeping it open, however controlled, exposes borrowers to loss of face if their transactions fail to go to a premium. There is the further possibility that underwriters will lose money if the markets move against them.

So far, the gamble has worked; there is a degree of demand from investors looking for hedges or cheap, highly geared exposure to a nervous market. That suggests the March closure was primarily a domestic Japanese affair, triggered by official concerns over runaway asset inflation. The odds then were stacked against the underwriters; now they are probably right to guess that closing the market would do more harm than offering investors a plain choice. Jacking up the meagre coupons on the bonds is the strongest signal yet of their concern.

CONTRACTS & TENDERS

PETROBRÁS
PETRÓLEO BRASILEIRO S.A.

PREQUALIFICATION EDICT
REPLAN/BRASÍLIA OIL PIPELINE - TRUNK LINE
CONSTRUCTION AND ASSEMBLY

PETROBRÁS, through its Engineering Service (SEGEN), hereby informs that it shall conduct a prequalification of companies for the construction and assembly of the trunk line for the Oil Pipeline connecting the Paulinea Refinery (REPLAN), located in the municipality of Paulínea, state of São Paulo, to the city of Brasília/Federal District, Brazil, in an approximate extension of 955 Km, consisting of the following sections:

REPLAN-Ribeirão Preto/18"/190 Km long
Ribeirão Preto-Uberlândia/16"/280 Km long
Uberlândia-Goiânia/16"/300 Km long
Goiânia-Brasília/10"/185 Km long

Companies interested shall request the prequalification documentation no later than September 30, 1990, by means of telex to be addressed as follows:

PETROBRÁS/SEGEN
Telex: (021) 40491 PETRA BR
Re.: Prequalification for Contracting of Executive Design, Construction and Assembly for the REPLAN/BRASÍLIA Oil Pipeline.

Said telex shall include the company's full address, for purposes of sending the documentation on the part of PETROBRÁS.

PETROBRÁS hereby states that participation in this prequalification shall not assure a future invitation for participation in the Price Inquiry.

WORLDWIDE WEATHER

UK today: dry start in central and southern England with some sunshine. Rain will spread south east from Scotland, northern England and Wales. Some gales in north and west. Temperatures near normal in the north, but warm in the south. Outlook: showers dying out, sunny spells, but rain later in the west.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Bordeaux		–	–	Dallas †	S	21	70	Innsbruck	C	17	63
Algiers	F	29	84	Boulogne	F	22	72	Dublin	F	20	68	Inverness	F	18	64
Amsterdam	C	19	66	Bristol	F	21	70	Dubrovnik	S	28	82	Isle of Man	F	17	63
Athens	S	31	88	Brussels	F	21	70	Edinburgh	C	18	64	Istanbul	S	30	86
Bahrain	S	37	99	Buenos Aires		–	–	Faro	S	25	77	Jersey	S	24	75
Barcelona	S	26	79	Budapest	F	21	70	Florence	S	27	81	Johannesburg	C	14	57
Belfast	C	17	63	Cairo	S	33	91	Frankfurt	C	19	66	Las Palmas	F	26	79
Belgrade	F	24	75	Cape Town	S	20	68	Geneva	S	20	68	Leeds	C	19	66
Berlin	F	18	64	Cardiff	F	21	70	Gibraltar	S	26	79	Lisbon	S	25	77
Biarritz	S	25	77	Chicago †	C	22	72	Glasgow	C	16	61	Locarno	C	24	75
Birmingham	F	22	72	Cologne	C	16	61	Guernsey	S	23	73	London	F	22	72
Blackpool	C	19	66	Copenhagen	S	19	66	Helsinki	C	11	52	Los Angeles †	S	17	63
Bombay	F	28	82	Corfu	S	29	84	Hong Kong	F	31	88	Luxembourg	C	18	64

		°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	22	72	Nairobi	F	25	77	Prague	C	16	61	Tangier	F	26	79
Madrid	S	27	81	Naples	F	29	84	Reykjavik	C	8	46	Tel Aviv	S	30	86
Majorca	F	28	82	Nassau		–	–	Rhodes	S	29	84	Tenerife	F	27	81
Malaga	S	28	82	Newcastle	C	19	66	Rio de Janeiro		–	–	Tokyo	C	30	86
Malta	F	29	84	New Delhi	F	35	95	Rome	F	26	79	Toronto †	S	18	64
Manchester	F	20	68	New York †	S	23	73	Salzburg	F	19	66	Tunis	S	31	88
Melbourne	C	10	50	Nice	S	24	75	S'Francisco †	S	14	57	Valencia	F	27	81
Mexico City		–	–	Nicosia	S	31	88	Santiago		–	–	Venice	S	24	75
Miami †	S	27	81	Oporto	S	22	72	Seoul	F	31	88	Vienna	C	18	64
Milan	S	25	77	Oslo	S	18	64	Singapore	F	31	88	Warsaw	R	16	61
Montreal †	F	19	66	Paris	F	24	75	Stockholm	C	16	61	Washington †	S	21	70
Moscow	R	10	50	Peking	C	28	82	Strasbourg	F	21	70	Wellington	F	14	57
Munich	F	20	68	Perth	S	18	64	Sydney	S	18	64	Zurich	S	20	68

Temperatures at midday yesterday † Noon GMT temperatures C=Cloudy Dr=Drizzle F=Fair Fg=Fog H=Hail R=Rain S=Sunny Sl=Sleet Sn=Snow T=Thunder

WIPAC
AUTOMOTIVE PARTS
& ACCESSORIES

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990
Monday September 3 1990

We set more wheels in motion
RJ HOARE
Leasing Limited
337 Poole Road, Bournemouth, Dorset BH12 1AE.
Tel: (0202) 752400 Telex. 41351 Fax: (0202) 752800

INSIDE

New look for the second section

Changes to the Monday edition of the Financial Times are introduced with this issue. As on other days, the most important corporate and financial news stories will appear on this page. UK and international company news and capital markets news can be found on the second and third pages of this section, headed Companies and Finance. The weekly bond market columns appear on the pages that *follow*.

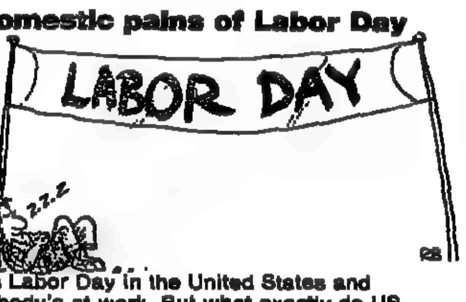
The Monday Gilts market analysis, renamed European Government Bonds, will now take in the main European markets for government securities.

A new page, headed The Week Ahead, can be found in section one. *Today it is on page 10*. It contains the weekly economic diary, the parliamentary diary (*when the House is sitting*), the financial diary of results and dividends due, and Construction Contracts.

The listing of shares added to and deleted *from the FT indices* will be found at the end of the London share service. Today it is on page 29.

A weekly tabulation of significant cross-border mergers and acquisitions will appear every Monday. This week it appears on this page.

Domestic pains of Labor Day



It's Labor Day in the United States and nobody's at work. But what exactly do US workers have to celebrate? Anthony Harris looks at management practices and labour relations in his weekly column, which this week moves to a new position on the back page of the second section. Back Page

February bond jitters

The West German bond market tends to blame untoward price developments in the financial markets on "foreigners." In February, foreign jitters were particularly *in evidence and now* these fears appear to have been justified. *Katharine Campbell reports*. Page 18

Market Statistics

Companies in this section

Nadir plans more flotations

By Clay Harris, Consumer Industries Editor

MR ASIL NADIR plans to proceed with the restructuring of Polly Peck International by seeking quotations outside the UK for more of its subsidiaries, despite the storm still raging over his abortive approach to buy out the company.

The fruit trading, consumer electronics and leisure group will report interim results today. It is expected to show pre-tax profits of £100m ($195m) or slightly better, against the £64.4m achieved in the first half of 1989.

This will give City analysts their first public opportunity to question Mr Nadir, the company's chairman, chief executive and largest shareholder, since he surprised them twice in a week, first by making a conditional buy-out approach on August 12 and then by withdrawing it only five days later. His actions led to a reproach from the Stock Exchange's quotations panel.

After an initial silence, Mr Nadir is *now preparing to contest* parts of that report.

In an interview, Mr Nadir also exhibited a weariness with the *London stock market which lay* behind his desire to take the company private. *He said* the market was unable to assess the value of the group's businesses.

"The components of the company together are certainly worth more than the whole as capitalised here," Mr Nadir said.

"A global entity cannot be perceived to the same degree everywhere. Something that is perceived better, say in Japan or America, *might not* have the same perception in this country."

Polly Peck's fruit trading business, which includes Del Monte *fresh pineapples and bananas*, is the leading candidate for flotation, either *as a whole* or in two parts, in "the area or market or country or continent where it is perceived better."

Polly Peck already has a Tokyo-listed subsidiary, Sansui, into which *it has* injected two other electronics companies, Capetronic and Imperial. Vestel, the Turkish electronics subsidiary, was floated in Istanbul.

"Had we not had those two entities, possibly the value of *Polly Peck would have been very* much lower in investors' eyes," *Mr Nadir said. "Today they have* a chance to assess the two *companies because they have a value* in those markets."

Mr Nadir denied, however, that he had planned to seek a new listing for Polly Peck somewhere else if the buy-out had succeeded. Private ownership would have had given the freedom to move into new areas of business without the criticism that has attended his affairs in the past decade.

But some shareholders apparently placed a higher value on Polly Peck than Mr Nadir him*self, by indicating they would not* sell to him at the price he *envisaged paying: 500p or just* above.

"Until one is faced with the possibility of a company becom*ing private, it* is very difficult for people to express their views categorically," he commented. "On the one hand, I was pleased to see the loyalty of a large number of shareholders during the event and after, [but] this loyalty had not reflected itself in the value of the company in the market."

Polly Peck's shares closed on Friday at 291p, 25 per cent below the level just before a buy-out was mooted.

Tony Andrews

Asil Nadir: Preparing to contest criticisms in a Stock Exchange report

Playing Pandora at Polly Peck

By Clay Harris and Richard Waters in London and David Barchard in Istanbul

THE STOCK Exchange inquiry into Mr Asil Nadir's sudden but short-lived plan to buy out Polly Peck International, and the insider dealing investigation into previous transactions in its shares, have thrown the spotlight on the mercurial fortunes of the company and its chairman.

In an interview on Friday, Mr Nadir ended his self-imposed silence after the Stock Exchange quotations panel's critical report and defended his actions and his reputation.

He also made clear that global restructuring of the group was to *proceed even though the option* of taking Polly Peck private had been *shelved indefinitely*.

His remarks, and previous reports by *FT* correspondents in London and Istanbul, cast some *light on questions raised by* the events of the past few weeks.

Why did Mr Nadir act so hastily in summoning the board, at 24 hours' notice, to hear his conditional proposal to buy out the rest of the company's shareholders and then abandon the plan five days later on August 17?

Mr Nadir denied he had acted precipitately, *but he shed* no light on the catalyst for his move. "The take-the-company-private attitude had been with me for some years – certainly no less than two years. At different times during this period, I discussed the matter with different advisers – whether it would make sense and how and when to proceed with it.

"Obviously, once something is in your mind for two years on and off, at a certain point you come to a conclusion and you move to see if you can actually fulfil your thoughts."

His younger sister, Mrs Bilge Nevzat, chairman of the leisure *group Noble Raredon, said earlier* last week: "It wasn't something that came up *overnight*."

She and Mr Nadir had discussed the examples of Mr Richard Branson and Mr Andrew Lloyd Webber – both "creative men" like her brother, Mrs Nevzat said – in buying out their respective companies, Virgin and Really Useful Group.

"I was sure it would come at some point," she said. But she first learned of his formal *approach when she returned* from a business trip to Poland *after the news had been* announced. "When he makes up his mind about something, he just goes ahead."

Mr Nadir said: "You have to take into account that I am the chairman and chief executive. I wonder if I'm not the most eligible person to decide, and come to a conclusion on the true worth in my mind of this company."

Some advisers involved during the on-off proposal for a bid disagree, although none will say so publicly. One says: "This type of *exercise is a massive undertaking* involving huge amounts of finance, and is highly complex to structure technically. It is obvi*ously highly desirable to do a* great deal of work first to see if a deal could be put together."

Asked on Friday if he should *have consulted* more advisers earlier, Mr Nadir replied: "In a takeover proposal by company X for company Y, which are two separate entities, then I think what you are recommending would be normal.

"But having built the company up, and being the *chief* executive here, at this initial approach *stage*, the only help *I felt I* needed was experienced corporate lawyers."

It remains the case, though, that Mr Nadir acted differently from previous instances when he sought advice on a buy-out – particularly the occasion when he is known to have approached several potential financiers in the UK and US. His explanation – that this was the first time he was sure he wanted to proceed – begs the question of why he went as far as looking to arrange *finance before*.

The Stock Exchange looked *askance on Mr Nadir's use of a* law firm, London solicitors S.J. *Berwin, which had never acted* before for him or Polly Peck.

But Mr Nadir said: "I think it is common knowledge that the company and myself have dealt with and used different advisers at different times. We don't practise the attitude that you appoint a merchant bank and at every instance you call that bank – or that set of lawyers."

Continued on Page 18

Holmes à Court dies at 53 of heart attack

By Ray Bashford in London

ROBERT Holmes à Court, the Australian businessman who was one of the biggest losers of the October 1987 stock market crash, died yesterday. He was 53 years old.

Mr Holmes à Court died of a heart attack at his stud farm while taking a weekend off from his private investment company operations in nearby Perth. He leaves a wife, Janet and three sons and daughter.

Mr Ian Spicer, the chief executive of the Confederation of Australian Industry, said he had helped to "revolutionise" the *finance industry in Australia*. "He was a dominant character, a *man of significant ability and he* will be missed in the business community," *he added*.

Mr Holmes à Court developed an international reputation as a shrewd deal maker and stock market trader during *the 1980s*, at the same time as there was a rush of fellow Australian businessmen into world markets.

Immediately before the stock market crash, he had a personal fortune valued at A$1.3bn ($1.1bn). He had used international borrowings to finance the creation of an empire which included substantial stakes in BHP, Australia's biggest company, Texaco, the US oil group, in addition to important stakes in several leading UK companies.

The crash forced him to sell off most of these assets to Mr Alan Bond, another Australian businessman, at less than half their *October 1987* level.

Since taking his operations pri*vate, Mr Holmes à Court had* secured his position as the dominant figure in West End London theatre property and become the largest pastoral property and cattle owner in Australia.

In May 1989 he won control of Sherwin Pastoral, Australia's largest cattle property company. It holds leases on property covering an area the size of England and Wales.

A leading Australian business magazine recently estimated his *personal fortune* at *A$700m*, which includes a significant col*lection of Aboriginal and Euro*pean art, and vintage cars.

Obituary, Page 5

Holmes à Court: 'a man of dominant character

Pemex plans to tap Eurobond market

By Tracy Corrigan

PETROLEOS Mexicanos, Mexico's state oil company, plans to tap the Eurodollar bond market for the first time since 1982.

Pemex has already completed two *transactions in other sectors* of the Eurobond market this year, in *D-Marks* and Austrian schillings, as well as a $100m (£51.2m) *private placement* in the US.

Details on the exact amount to be raised this time are not available. However, the road to the more credit-conscious dollar sector will be smoothed for Pemex, as investors favour those oil companies set to benefit from rising oil prices caused by the Gulf crisis.

Mexico is the world's sixth-largest oil producer through Pemex. Rising revenues will further boost the company's credit-worthiness. Pemex has never defaulted on or restructured any *fixed-rate debt, even during* the Mexican debt crisis of the early 1980s.

Pemex's dollar-denominated Eurobond is expected to carry a three-year maturity. Swiss Bank Corporation is the lead manager.

Economics Notebook

Of arms and western aid

EVEN BEFORE the Gulf crisis thrust the question of the arms build-up in developing countries so rudely into the limelight, their military spending *had* been *attracting* increasing attention in the western aid community.

Prompted by the example set *by the newly-emerging* democracies in eastern Europe, west*ern leaders have begun to call* for more "good" government in the developing *world. This* implies not just heightened a emphasis on social *spending*, but also a curb on wasteful defence expenditure.

Cynics argue that this new element of condition*ality is a* precursor to cuts in aid now that the end of the cold *war* means there is no longer a need to keep potentially wayward countries on the western side. Optimists believe this has created an opportunity to look more objectively at the real development issues.

According to Mr John Howell of the Overseas Development Institute, the jury is still out on whether the cynics will win the day. But whatever happens, he says it will be well-nigh impossible to reverse the rapid rise in military spending by developing countries.

The UN Development Programme (UNDP) has calculated *that military spending* by developing countries rose almost *seven-fold* to $160bn between 1960 and 1986. As a *result, its ratio* to Gross National Product (GNP) rose to *5.5 per cent from 4.2 per cent*.

To put these figures in per*spective, military spending* by developing countries now out*strips their spending on* education and health combined. It is *also vastly higher than net offi*cial aid flows, which on estimates by the Organisation *for* Economic Co-operation and Development, totalled just $65.7bn in 1988.

More important, the growth of military spending by developing countries continued at a rapid pace throughout the 1980s, despite their severe economic problems. Particularly alarming, according to the UNDP is the behaviour of the least developed countries whose military spending amounted to 3.8 per cent of GNP by 1986 compared with 2.1 per cent in 1960. There is evidence to suggest that this has crowded out spending in other areas, stifling both economic growth and social development.

In Costa Rica, one of the few countries in the world to do without an army, average life expectancy is 75 years and the *average literacy* rate 93 per cent. Angola, whose military *spending is nearly three times* that on health and education, has an average life expectancy of 45 years and a literacy rate of 41 per cent.

Figures such as these, and the changing international mood, pose a new challenge for major development institutions such as the World Bank. They have traditionally been nervous about tackling the problem for fear of being accused of meddling in the domestic politics of their client nations.

Mr Moeen Qureshi, senior vice-president for operations of the World Bank, says the Bank is becoming "more direct." In the past it has usually tried to deal with the problem obliquely by asking its client governments to reduce non-development spending.

It is now also asking them not to cut social spending on *items such as* education and primary health care. That leaves them with little alternative but to home in on their military spending if they want continued World Bank support.

Yet it is hard to see how this problem can be tackled head-on without provoking an outcry in the developing world, especially since industrial countries also spend 5.4 per cent of their GNP on defence.

The list of governments which have deliberately built up their military strength specifically for the purposes of aggression is short. More often, developing country spending *on defence* is related, as in Ethiopia, to a perceived internal security threat.

The dilemma facing them is *that failure to cut defence* spending might lead to the end *of assistance as western voters* withdraw support. Meanwhile, *détente could make them prey* to the blandishments of arms *manufacturers looking for* alternative outlets for their wares.

Peter Montagnon

INTERNATIONAL CROSS BORDER TAKEOVERS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Consortium (Japan/ Australia)	*Oakbridge* (Australia)	Coal production	£66m	Elders Resources sells 69%
Mitsubishi Estate (Japan)	*Rockefeller Group* (US)	Property	£58m	Mitsubishi ups stake to 57.6%
Jusco (Japan)	Laura Ashley (UK)	Clothes, *home* furnishings	*£29.9m*	*Part of £50m* investment
Pioneer *International* (Australia)	Midlothian (US)	Cement	£23m	UK's Beazer *sells 50% stake*
Proventus (Sweden)	Transport *Development Grp* (UK)	*Transport*	£20m	Lifts stake to *near* 10%
Monte dei Paschi di Siena (Italy)	Sindibank (Spain)	Banking	£13.4m	24% stake
Nynex (US)	*GMO (W Germany)*	Info services	£10.1m	Nynex takes 32%
Bristol-Myers Squibb	UPSA (US)	Pharmaceuticals	N/A	Blocking *minority shares*
British Petroleum (UK)/ Statoil *(Norway)*	Joint ventures	*Oil and gas*	N/A	Plan for series of intl JVs
Koyo (Japan)	Soc Mécanique d'Irigny (France)	Car steering	N/A	Renault said to be selling 35% of subsidiary

Source: FT Mergers & Acquisitions International

This is the first of a regular Monday tabulation of cross-mergers and *acquisitions* in the preceding week, prepared by Brian Bollen, editor of the magazine FT Mergers & Acquisitions International.

JAPANESE companies featured prominently in a week when the emphasis was on buying or increasing strategic stakes.

The acquisition of 15 per cent of Laura Ashley by Japanese retailer Jusco furthered its ambitions to move upmarket, and *illustrated that there are reasons* other than 1992 *for moving* into Europe. Jusco's purchase of 32.5m new shares in the UK clothes and *home* furnishings *group gave the heavily-borrowed* group a *much-needed* boost. The premium-priced purchase also underlined the hard cash value of a good brand name.

The French state-owned car company, Renault, refused to comment on the pending sale of 35 per cent of its steering *systems subsidiary*, SMI, to Koyo, owned by Japan's Toyota. This latest alliance in the car industry is given added piquancy *by France's long and loud arguments about the need to protect* the European car industry from Japanese competition.

In *pharmaceuticals*, Bristol-Myers Squibb of the US bought a blocking minority shareholding in UPSA Group. Bristol-Myers hopes to use French effervescent technology to develop products for international export.

The sale by the UK construction group, Beazer, of half its Texas cement business will help to reduce the debts incurred when it bought the Koppers aggregates business in 1988.

June, 1990

uni
MITSUBISHI PENCIL CO., LTD.

has acquired the Business and Assets of

Royal Sovereign Ltd.

from

Emess plc

The undersigned initiated this transaction and jointly advised Mitsubishi Pencil Co., Ltd.

Guinness Mahon & Co. Limited

The Bank of Yokohama, Ltd.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Data may bring lower interest rates

COULD THIS week finally create the conditions for an easing of monetary policy by the US Federal Reserve?

The question will be dominating the US money markets in the days running up to this Friday's release of data on US employment in August, which some believe might act as a catalyst for lower interest rates.

For the past month the US stock and credit markets have been dominated by the crisis in the Middle East, with bond prices gyrating on every new tremor from the Gulf amid fears of increasing inflation from spiralling oil prices.

Last week was no different, although the entry of the crisis into a less bellicose phase of diplomacy helped calm the markets: US government securities managed a modest rise on the week, with the benchmark 30-year government bond up nearly 1¾ points and the yield dropping through the 9 per cent threshold to 8.98.

This week, barring a serious deterioration in the Gulf climate, attention should switch back to the outlook for the domestic American economy.

In particular, Friday's employment data will give a particularly important clue to the current strength of growth at a time when more and more analysts are saying the economy is entering, or already in, a recession.

July's jobs data were particularly gloomy, and a repeat for August – figures which will be particularly complicated because of yearly revisions to the statistical series – would greatly increase pressure on the Federal Reserve to ease monetary policy.

Unemployment rose from 5.2 per cent in June to 5.5 per cent in July and estimates for August range from 5.4 per cent to 5.6, with a modest rise in non-farm payrolls of between 70,000 and 120,000 (excluding the impact on the data of temporary census workers). This would underline the particular weaknesses of the retailing and construction sectors, and the mixed evidence lately from manufacturing. However, August will be too soon to show the impact on employment of the additional uncertainty created by the Gulf crisis.

The Fed, for its part, has indicated that it is increasingly concerned about the strength of the economy, and leans towards an easing of credit, when market conditions are right for this. But it would first like to see the markets stop moving in such a volatile fashion in response to the Middle East.

The trouble is that the Gulf crisis, and its attendant nerve-wracking impact on the markets, could be with the world for months, and the Fed may have to move soon if it is to offset the effect of a contracting domestic economy.

Economists at the J.P. Morgan bank, who last week joined the ranks of those forecasting a recession, estimate that "if the Fed responds quickly and decisively and if oil prices turn round early next year, then the recession is expected to be relatively mild, resulting in a cumulative loss in real GNP of 1½ per cent and lasting two or three quarters."

But, the Middle East apart, the Fed has numerous counter-pressures acting upon it. Minutes of the policy-making Federal Open Market Committee for the past year have shown members extremely concerned about the inflationary pressures in the economy, and it is not clear that these are dissipating. Indeed, rising oil prices on the back of the Middle East crisis will reinforce those pressures.

Second, a cut in US rates would present a stark contrast with Japan, where the official discount rate was put up last week by 75 basis points to 6 per cent in an attempt to quash inflation. But many economists believe the rise will be insufficient to cool the economy, which could prompt further increases in the fourth quarter, when interest rates may also be on a rising trend in Germany.

The movement of US rates in a less competitive direction could have serious implications for the dollar – and in turn for US inflationary pressures – as could further failure in the coming weeks to resolve the US budgetary impasse.

Economists at Salomon Brothers point out that for the past three years the dollar has depreciated considerably during the autumn when the markets have focused on lack of progress in reducing the deficit. "The deliberations this year," Salomon argues, "are likely to produce a similar outcome."

Certainly, the hopes of a substantial deficit reduction package which arose at the start of the summer, when President Bush backed away from his "no new taxes" pledge, have greatly diminished since.

The White House and Congressional negotiators left Washington for their summer holidays with little progress to report and they will return this week, after Monday's Labor Day holiday, to a wrangling process made more complicated by the eruption of the Middle East tension.

For one thing, rising oil prices are likely to make it more difficult to push through an increase in petrol taxes. For another, the Bush Administration will want to exclude the costs of the Middle East troop build-up from any defence cuts, while the re-emergence of the US as a global police officer will strengthen the hand of those hawks arguing for less swingeing cuts in the military budget.

This means that, even if agreement can be reached, the deficit is unlikely to be cut by the $50bn widely mooted when the talks began. Yet in the interim, the likely deficit has risen sharply, both because of the Middle East and a short-fall in tax revenues implied by the slowing economy.

The combination of all these factors means that any movement by the Fed to lower interest rates is likely to be modest, taking perhaps another quarter point off the Fed funds rate, which would reduce it to 7.75 per cent. However, some argue that any easing is still a little way off. Analysts at Donaldson, Lufkin & Jenrette argue that the Fed will wait until mid-September, when it has a chance to review August's consumer price index figures.

Anticipation of a relaxation led to a steepening of the yield curve last week as the yield on short-dated issues dropped more sharply than those at the long end. This may be accentuated in the week or so ahead.

For a while the short-end can happily concentrate on the prospect of easier money, while the long-end must trade off the pleasing prospect of a recession against the unknown inflationary consequences of the Middle East crisis and the disturbing implications for demand of a weaker dollar, uncertain Japanese interest and a continuing high supply of deficit-funding Treasury paper.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (not weekly av)	8.00	8.00	7.94	9.92	7.94
Three-month Treasury bills	7.59	7.69	7.55	9.11	7.20
Six-month Treasury bills	7.73	7.86	7.57	9.37	7.18
Three-month prime CDs	8.02	7.86	8.00	10.35	7.65
30-day Commercial Paper	7.90	8.00	7.90	9.95	7.87
90-day Commercial Paper	7.90	7.95	7.78	10.05	7.70

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¾	+⅞	8.73	8.90	8.32
20-year Treasury	102⅛	+¾	9.04	9.20	8.59
30-year Treasury	97⅜	+1⅛	8.98	9.15	8.56

Money supply: In the week ended August 20, M1 rose by $2.7bn to $817.6bn

NRI TOKYO BOND INDEX

December 1983 = 100	30/8/90	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	142.04	8.18	142.11	146.40	143.13
Government Bonds	138.26	8.21	138.20	144.49	141.22
Municipal Bonds	143.96	8.10	143.96	148.40	144.71
Govt.-guaranteed Bonds	147.04	8.11	147.42	150.51	146.95
Bank Debentures	141.05	8.23	141.20	143.37	139.93
Corporate Bonds	146.22	7.99	146.28	148.35	146.70
Yen-denom. Foreign Bonds	152.23	8.18	152.00	153.63	151.91
Government 10-year†	7.74		7.71	6.55	6.76

† Estimated par yield

Source: Nomura Research Institute

EUROPEAN GOVERNMENT BONDS

Foreign investors may have it right

IN THE US, turmoil in the financial markets is usually blamed squarely on the big Wall Street institutions – the perpetrators of new-fangled techniques spoiling the fun for innocent retail investors. The West German bond market, by contrast, has a habit of blaming untoward price developments on the "foreigners."

This behaviour was particularly marked in February. Long bond yields shot up beyond 9 per cent on concerns about the unknown costs of bailing out the East German economy. Charges of "ignorance about Bundesbank politics" were levelled, while domestic institutions stood patriotically behind their market.

The fact that on busy days bond prices are determined in the London futures pits rather than in Frankfurt, close to the seat of the Bundesbank, occasionally rankles.

What is true, however, is that foreign and domestic perceptions of the attractiveness of the D-Mark market this year have diverged. According to figures from a recent Deutsche Bank report, domestic investors bought as much as DM92.9bn worth of paper in the first half of 1990 (compared with DM38.6bn to June 1989). It is the foreigners who have been selling - at a net DM7.9bn.

Taking the longer view, at least, the pessimistic overseas investor has been more or less right. Even the domestic banks are much gloomier. Deutsche Bank's latest report suggests "a range of 9 per cent up to 10 per cent" over the next year.

"If real interest rates fall to 5.5 per cent, which is the rate we have estimated as necessary to mobilise savings to finance German unification, and inflation can be contained at 3.5 per cent, we are still confronted with a 9 per cent yield for 10-year bunds."

So the February jitters of foreigners have been borne out. As the extent of the East's chaos becomes clearer, yields of 6 per cent seem plausible.

Inflationary worries are resurfacing as the Gulf crisis has added at least 50 basis points on to long yields. The Hamburg economic institute last week said it foresaw 4.5 per cent inflation for 1991, and warned that the figure could be higher depending on the course of oil prices.

As terms on the second 10-year German unity bond are fixed this week, Frankfurt's foreign banks face something of a dilemma.

Tomorrow, a portion of the issue will be auctioned in the Bundesbank's second experiment with this technique – the first being with the August straight Bund. Irritated by years of low fixed allocations and commissions in the regular consortium, the temptation for foreign banks is to make a strong showing to parade their placing power before the Bundesbank.

However, given the difficulty of selling D-Mark bonds internationally, they could be forgiven for thinking the Bundesbank had been just a bit too clever in reforming the market at this crucial juncture.

Katharine Campbell

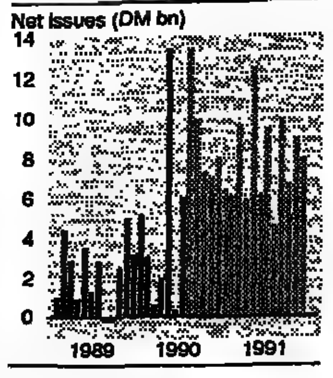
GOVERNMENT bond traders have had a bewildering year. First acting as experts on newly-democratising centrally planned economies, next on psychological warfare in the Gulf, they are soon to become intimate with German economic unification.

Estimates of how much unification will cost, as of the US war machine in the Gulf, have been increasing fast. The demands on capital markets will be much higher than was estimated a few months ago.

For example, the Treuhandanstalt, the fund in charge of privatisations in the East, has borrowing facilities of only DM7bn this year, and DM10bn next year. It has already received demands for DM24bn. The markets' reaction so far has been – in the case of gilts, at least – inverse: much less extreme than expected.

Bond supply in Germany, however, is set to increase sharply, with knock-on effects on markets throughout the world.

Bond supply in Germany



The degree of impact depends on membership of the European Monetary System. Government bonds in the EMS family will be much more sensitive to unification than those outside, according to bond analysts, because economies share common characteristics within the EMS framework. Their bonds are thus a much closer substitute for Bunds than US Treasuries, for example.

Until the UK becomes a full member of the EMS, its government bonds will be more distant from unification compared with, for example, French OATs. Only if the D-Mark weakens under the cost of rebuilding East Germany do gilts economists envisage an improvement in sterling bond yields.

Rachel Johnson

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	+⅛	9.12
ABN 9 1/8 94	200	99½	+¼	9.23
AETNA LIFE & CAS 7 3/4 16	200	96¼	+¼	8.06
[illegible]				
PHILIP MORRIS 9 7/8 98	200	98⅞	+½	10.10
PROCTER & GAMBLE 10 95	150	101¼	+⅛	9.69
PRUDENTIAL FUNDING 7 3/4 91	150	99		8.92
PRUDENTIAL RLTY SECS 0 99	365.216	45¾	+⅛	9.89
QANTAS AIRWAYS 8 5/8 96	97.75	96¼	+½	9.50
QUEBEC HYDRO 9 3/4 98	150	99⅞	+⅛	9.81
QUEBEC PROV 9 98	200	96¼	+⅛	9.70
QUEENSLAND GOVT 10 1/4 95	100	102¾	+⅛	9.52
RALSTON PURINA 11 3/4 95	150	105⅜		10.21
REYNOLDS (RJ) 10 1/4 93	100	93¼	+⅛	13.12
SAINSBURY 9 1/8 96	150	98⅛	+½	9.54
SARA LEE 9 3/8 93	150	99¾	+⅛	9.47
SAS 10 99	200	99¼	+⅛	10.11
SAS 10 1/8 95	150	101½	+⅛	9.72

OTHER STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				
DEUTSCHE BK FIN 5 5/8 96	750	85	-⅛	9.08
EEC 5 3/8 93	300	92½	+⅛	9.04
EIB 6 1/8 96	300	87¼	+⅛	9.02
EIB 6 7/8 93	300	90¼	-⅛	9.31
EUROFIMA 6 1/4 98	400	83¼	-⅛	9.24
FELDMUEHLE FINANCE 8 99	200	92⅞	-⅛	9.16
FERRO DEL STAT 5 3/8 93	500	92⅝	+⅛	8.93
IND BK JAPAN FIN 5 5/8 96	200	84¼		9.32
INTER AMER DEV 7 1/4 99	300	89¼		9.04
LUFTHANSA INT FIN 5 7/8 98	500	82¼	+⅛	9.23
QUEBEC HYDRO 6 3/4 99	300	85⅛	-⅛	9.24
SWEDEN 6 1/8 96	300	84	+⅛	9.14
WORLD BANK 0 15	2000	13¼	+⅛	8.16
WORLD BANK 5 3/4 96	300	85½	+⅛	9.19
WORLD BANK 7 1/8 95	500	93⅝	+⅛	8.93

EQUITY WARRANTS	Expiry	Bid	Chg on week	Prem
[illegible]				
CASIO COMPUTER	16/09/92	11¼	+⅛	29.68
DAIWA HOUSE INDUSTRY	04/06/92	9⅝		65.93
FUJITSU	20/04/93	11¼	+1⅛	35.62
HINO MOTORS	06/07/94	10¼		43.36
KIRIN BREWERY	23/07/92	7⅜	+⅛	73.61
MITSUBISHI EST.	11/03/94	7⅝	+⅛	
MITSUI REAL ESTATE DEV.	20/03/92	10	+½	61.84
NICHII	17/02/93	7⅜		60.73
NIPPON MEAT PACKERS	17/09/92	7¾	+⅛	57.45
NIPPON OIL	14/08/92	13½	+⅛	35.78
SUMITOMO CHEM.	20/01/93	8¼	+1⅛	99.50
TOYO SASH	27/04/93	33⅛	+6	8.55
TOYOTA MOTOR	15/07/92	31½	+2⅝	5.54
UNITIKA	20/07/93	8½	+1½	64.63
YAMANOUCHI PHARM.	30/06/92	9¾	+1⅛	57.68

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on August 31

© The Financial Times Limited 1990. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by Association of International Bond Dealers.

JB-B

DOLLAR-BAER
JULIUS BAER U.S. DOLLAR BOND FUND LTD.
GRAND CAYMAN

DIVIDEND ANNOUNCEMENT

On 1st September, 1990 the Directors declared a dividend of US-Dollars 43.00 per share payable on 14th September, 1990 on all Participating Shares then in issue.
Holders of bearer shares should present coupon No. 10 on or after 14th September, 1990 at the office of the Administrator, Julius Baer Bank and Trust Company Ltd., Butterfield House, Grand Cayman, Cayman Islands, B.W.I., or at the main office of the Agents, Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland, or Société Bancaire Julius Baer SA Genève, 2, boulevard du Théâtre, 1204 Geneva, Switzerland.

By order of the Board
Dollar-Baer, Julius Baer U.S. Dollar Bond Fund Ltd.

3rd September, 1990

JB-B

D-MARK-BAER
JULIUS BAER D-MARK BOND FUND LTD.
GRAND CAYMAN

DIVIDEND ANNOUNCEMENT

On 1st September, 1990 the Directors declared a dividend of D-Mark 28.00 per share payable on 14th September, 1990 on all Participating Shares then in issue.
Holders of bearer shares should present coupon No. 10 on or after 14th September, 1990 at the office of the Administrator, Julius Baer Bank and Trust Company Ltd., Butterfield House, Grand Cayman, Cayman Islands, B.W.I., or at the main office of the Agents, Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zurich, Switzerland, or Société Bancaire Julius Baer SA Genève, 2, boulevard du Théâtre, 1204 Geneva, Switzerland.

By order of the Board
D-Mark-Baer, Julius Baer D-Mark Bond Fund Ltd.

3rd September, 1990

ACCOR

Corporation organized under French law (Société Anonyme)
Capital : French francs 2.030.857.200
Head Office : 2, rue de la Mare Neuve - 91000 EVRY (France)
Registered Head Office : Corbeil Essonnes B 602 036 444

SECOND NOTICE TO HOLDERS OF 7 1/2 % 1984 - 1999 BONDS OF USD 1,000 EACH, CONVERTIBLE INTO ORDINARY SHARES OF ACCOR

The holders of 7 1.2 % 1984 - 1999 bonds issued by ACCOR and convertible into ordinary shares who were called for August 30, 1990 being unable to meet validly for lack of quorum, are again called to a General Meeting at 3, rue La Fayette - 75009 PARIS, on September 10, 1990 at 4 p.m., in order to consider the same agenda as the one for the first meeting, that is:

- Approval of the shareholders' waiver of their preferential right to subscribe securities that the Mixed General Meeting of shareholders on August 31, 1990 (eventually deferred to September 11, 1990) will authorise the Board to issue.
- Decision on the method of recording the documents of the General Meeting.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

The Board of Directors

STOREHOUSE PLC

£69,000,000 4 1/4 per cent convertible subordinated bonds due 2001 (The "Bonds")

Kleinwort Benson Securities Limited, as agent for Storehouse, will offer in the open market from 8.30 am on 3rd September 1990 up to 4.00 pm on 7th September 1990, to purchase all or any of the bonds (together with all unmatured coupons relating thereto) at a price equivalent to a margin of 50 basis points over the 19 month sterling interest rate swap rate plus accrued interest on the bonds so purchased from and including 2nd September 1990 to but excluding the seventh day from the date of purchase for settlement on the seventh day from the date of purchase up to the maximum price permitted under the terms of the bonds which is currently sterling 108.15 per cent of their nominal amount.

In any event Storehouse will limit the price paid for the Bonds under the above formula to a maximum of sterling 109.50 per cent of their nominal amount.

The 19 month sterling interest rate swap rate will be calculated by reference to the middle market rate as determined by Kleinwort Benson Limited. The terms of the bonds require that any bonds purchased by Storehouse be cancelled forthwith.

Kleinwort Benson Securities Limited: Contact: David Rogers 071 623 1536.
Storehouse Plc: Contact: Keith Nichols 071 631 0101.
This notice is issued by Kleinwort Benson Securities Limited, a member of The Securities Association. 3rd September 1990.

IMMIGRATING TO CANADA?

Canada welcomes foreign business people, entrepreneurs and executives who wish to establish a business in Canada.

As a consulting firm in Canada, we offer our services in assisting you to obtain an immigration visa for permanent residence and advise you on a business venture that may interest you.

Mr John A. Garufi, President of International Entrepreneurs will visit London from: Sept 02 to Sept 06 staying at the Holiday Inn Hotel.

Interested candidates may contact him at the above hotel or write to our Head Office directly.

International Entrepreneurs I.E.C. Ltd.

Quebec (Head Office)
2075 University Street,
Suite 1712
Montreal, Quebec
Canada H3A 2LI
Tel: (514) 288 7825
Fax:(514) 845 1472
Telex: 055-61985

Ontario
20 Queen Street West,
Suite 602
Toronto, Ontario
Canada M5H 3R4
Tel: (416) 599 5955
Fax:(416) 599 9620

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL LENDING

Middle East tremors shake world's banks

IRAQ'S invasion of Kuwait has injected a new and critical layer of uncertainty into international bank lending.

Pockets of nervousness predated the crisis: once-active UK corporate lending business has dried up amid bank worries about the effect of high interest rates.

But the impact of the Gulf crisis is far broader, affecting both lenders and borrowers. Until the uncertainty clears, banks will be more cautious in their approach to international lending.

The first and most direct impact surrounded Middle Eastern banks, both those affected by the assets freeze and those which hit funding problems because of their location.

Middle East banks have been trying to sell loan and other assets to build liquidity. Because of their funding difficulties, they can be discounted as significant international lenders for the time being. Borrowers in places such as Turkey and perhaps India, where Gulf banks have been important lenders, will suffer most.

More significantly, by precipitating a drop in Japanese stock prices, the crisis has affected the psychology of Japanese banks.

A falling stock market hits the banks by squeezing the value of their share portfolios, part of which counts towards capital, and by making it much more difficult for them to raise fresh equity capital. Although the impact is uneven so far, Japanese banks are being less aggressive in international lending and can no longer be relied on to provide their former support for syndicated loans.

Other banks, for example from the US and Britain, are not in the mood to fill the gap, with bad debts already stacking up on their domestic business with whatever exposure they still may have to problem debtors in the Third World. Bank credit committees, on which senior executives have the final word on whether to lend or not, are said to be especially cautious because balance sheets are already under pressure.

They see that higher oil prices may wreak more damage to corporate and other borrowers, although, like the rest of us, they have no idea how high oil prices will go, or how long those rises will be sustained.

Apart from sectors such as the airline industry, whose outlook is directly affected by high fuel prices, few industries or countries are immune from higher oil prices meaning higher inflation, higher interest rates and an increased risk of recession in the industrialised world.

If the Gulf crisis is to precipitate a third oil shock, international banks cannot be expected to "recycle" the oil surpluses to ease the resultant economic dislocation as they did in the previous two shocks. It is stating the obvious to say banks will not be lending to sovereign debtors such as Brazil, but they may also not be willing lenders even to their weakened corporate customers, of which they may become even more fickle allies.

● The unpredictability of the syndicated loans market is increasing caution about publicising deals in syndication. For example, CS First Boston is saying nothing about a $750m corporate credit it is raising for American Airlines, one of the highest-rated and leading US carriers.

Nevertheless, despite some late withdrawals by some underwriters and their fine pricing, credits for the UK electricity distribution companies appear to have been successfully underwritten and are now in syndication.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straight	Conv	FRN	Other
US$	1,360.0	0.0	241.7	12,806.6
Prev	130.0	0.0	75.0	12,041.1
Other	2,093.4	0.0	647.5	3,753.0
Prev	1,471.3	156.4	195.4	5,345.5
Secondary Market				
US$	15,134.9	884.6	4,384.1	6,477.8
Prev	16,508.0	792.7	4,651.5	6,482.0
Other	24,003.5	948.4	7,282.0	39,147.8
Prev	21,927.7	1,107.0	3,543.6	30,622.2

	Cedel	Euroclear	Total
US$	14,347.9	26,942.0	41,289.9
Prev	14,610.5	26,069.8	40,680.3
Other	31,365.7	46,409.9	77,775.6
Prev	26,273.3	38,175.8	64,449.1

Week to August 30 1990

Source: AIBD

JAPANESE EQUITY WARRANTS

Securities houses prepare for a storm from the Gulf

THE NEW issues market in Japanese equity-linked Eurobonds is facing its severest test. It was forced to shut down for four months in March, when declines in the Japanese stock market sent equity warrant prices into a tail-spin.

Now, the Japanese securities houses are determined to weather the gathering storm of sliding stock prices and diving warrant prices unleashed by Iraq's invasion of Kuwait a month ago. They fear that if the market were to close for a second time, the confidence of issuers and investors would be jeopardised.

The signs so far are that unless full-scale war breaks out they will succeed in keeping the new issues market open, even if some issues have to be cancelled, by the simple expedient of offering investors good value for money.

"With the proviso that they continue to be priced realistically, new issues remain attractive in a falling market because the [exercise] price is not fixed immediately," observes Mr Peter Garrott, director of trading at Cresvale, the specialist equity warrants market maker.

New issues currently offer better value in terms of gearing (exposure to the underlying equity), premium (the exercise cost of the warrant compared to the cost of the equity) and life expectancy (the remaining life of the warrant) than warrants in the secondary market.

"Relative to the secondary market, premium and gearing are pitched at a level which encourages investors to switch out of old issues," says Mr Scott Miller, director of warrants trading at Merrill Lynch.

The gearing of new warrants has been increased to about five times, compared with three or four times for older issues. The higher gearing means gains are larger if share prices rise. However, cheap warrants which are a long way out of the money – that is, not worth exercising at current share prices – also have high gearing.

Meanwhile, premiums for old issues have expanded so much – to 70 and 80 per cent in some cases – that it is unlikely they could be exercised. Premiums on new issues have come down to around 16 per cent. Again, when new warrants are launched for companies such as Kobe Steel, which already have warrants with higher premiums in the secondary market, investors tend to switch into the new paper.

New warrants usually have five years to run, whereas warrants in the secondary market often only have one or two years' life left. Where warrants are already well out of the money, this shorter life further lessens the chance that they can be exercised.

But for some investors, nursing perhaps 70 per cent losses, value is not a sufficient inducement to buy. European retail accounts, some of which held the paper all the way down, appear to have abandoned the market.

"I think equity warrants will continue to have a place in portfolio strategies, but in the short term, investors are adopting a relatively cautious stance," says Mr Charles Kirwan-Taylor, head of equity syndicate at Kleinwort Benson.

Professional and semi-professional accounts are still involved in the market. Some have adopted a strategy, known as the cash extraction theory of selling equity positions and reinvesting, say, 30 per cent of the funds in equity warrants, to maintain the same sort of exposure to the market, while investing the remainder in the money markets. But hedge funds are the main players at the moment, practising a range of arbitrage between stocks, options, indices and warrants.

Since the start of the Gulf crisis, the Cresvale warrant index has shed 28 per cent of its value, twice the decline suffered by the Nikkei index of Japanese stocks.

But this does not necessarily mean warrant investors have lost out. Mr Garrott points out that "stock losses would have outstretched warrant losses" in many cases, because investors can take positions on the stock market much more cheaply through warrants than through stocks.

In the secondary market, two warrants in three are now well out of the money. Some longer-term investors are still buying such warrants trading at huge premiums, taking a two, three or four-year view.

Share prices would have to stage a massive come-back for investors to profit, but, with warrants available at prices as low as six or seven cents in the dollar, their downside protection is substantial.

The other side of the new issues equation is the Japanese companies, many of whom are keen to raise funds but balk at the substantially higher interest costs they now face. Some companies have been waiting to tap the market since the start of the year, and were foiled by the closure of the market earlier in the year.

If they need funds urgently, the equity warrants market may still be the cheapest means of financing. Short-term interest rates in Japan are historically high, and Japanese domestic markets in poor shape.

But some companies may be unwilling to add to their costs with high interest payments, when they already face higher rates on bank borrowings, climbing oil prices and stagnant revenues, as the Japanese authorities try to curb inflation in the domestic economy by forcing companies not to raise their prices. A company with fixed revenues and spiralling costs is a less than attractive proposition for investors in equity-related instruments.

Such difficulties caused Cosmo Oil, the largest importer of oil into Japan, to postpone a $330m equity warrants Eurobond last week. Despite the oil price increases which have sent the company's costs soaring, the Japanese Ministry of International Trade and Industry has not allowed Cosmo to increase its prices.

"Investors [in equity warrants] will be increasingly selective, and the market is going to be name and price-driven, as investors learn once again that there is no such thing as an ever-rising market," one trader said.

While it seems inevitable that some issues will have to be postponed, the signs are that the bulk of the billions of dollars of new paper slated for September and October will go ahead.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kawasaki Heavy Ind.‡◆	340	1994	4	4⅞	100	Yamaichi Int.(Eur.)	4.875
Kobe Steel Ltd‡◆	340	1994	4	4⅞	100	Yamaichi Int.(Eur.)	4.875
Renown Inc.‡◆	100	1994	4	4⅞	100	Daiwa (Eur.)	4.875
Yuasa Shoji Co.‡◆	100	1994	4	4⅞	100	Nomura Int.	4.875
Best Denki Co.‡◆	190	1994	4	4⅞	100	Nikko Secs.(Eur.)	4.875
Toho Zinc Co.(y)‡◆	70	1994	4	5⅜	100	Nikko Secs.(Eur.)	5.375
Sumitomo Chemical◆	40	1995	5	9½	101⅞	Sumitomo Fin.Int.	9.018
Homan & Co.‡	200	1994	4	(5⅛)	100	Nomura Int.	-
SE Banken(o)†◆	50	2000	9.833	(o)	100	Goldman Sachs Int.	-
Kubota Fin.(N'lands)◆	12	1992	2	8⅝	101⅛	IBJ Int.	7.994
Bca.Comm.Italiana(s)◆	50	2000	10	(s)	100	Sumitomo Fin.	-
Republic of Italy(t)◆	1bn	1999	8.416	9⅝	99.85	JP Morgan Secs.	9.633
Council of Europe(u)◆	15	1991	1	17	101½	Chase Inv.Bk	15.271
Korea Exp.Imp.Bk(x)†◆	100	1997	7	(x)	100	LTCB (Asia)	-
NZ DOLLARS							
Council of Europe◆	50	1992	2	14¼	102	Hambros Bk	13.050
D-MARKS							
Fuji Electric Co.‡◆	350	1994	4	5¼	100	Deutsche Bk	5.250
Copyer Co‡◆	70	1994	4	5¼	100	B.Vereinsbank	5.250
Kaufhof Fin.BV(l)‡◆	100	1997	7	(l)	100	Commerzbank	-
Baprovan Ltd◆	200	1995	5	11⅛	100	Bankers Trust GmbH	11.125
Misawa Homes Co.‡	150	1994	4	5¼	100	Nomura Bk GmbH	5.250
Fondiaria Int SA★★§◆	170	1994	4	2½	100	Deutsche Bk	2.500
SWISS FRANCS							
Nitori Co.(b)★★‡◆	20	1994	-	6⅛	100	SBC	6.125
Nitori Co.(a)★★§◆	25	1995	-	4	100	SBC	3.995
Nippon Piston Rg.(g)★★§◆	47	1995	-	4	100	Credit Suisse	4.040
Renown Inc.(f)★★‡◆	50	1997	-	5	100	Banca D'Gottardo	5.000
Toshoku Ltd(c)★★§◆	110	1994	-	4½	100	SBC	4.498
Ishihara Constr.(n)★★§◆	35	1995	-	4½	100	UBS	4.494
Kanematsu Corp.(k)★★§◆	200	1995	-	4¾	100	Nomura (Switz)	4.750
Ascii Corp(q)★★§◆	150	1995	-	4¼	100	HandelsBank NW	4.250
Clarion(d)★★§◆	150	1995	-	4½	100	SBC	4.500
Atsugi Nylon Ind.(e)★★§	200	1995	-	4½	100	SBC	4.497
Shinko Electric Co.★★◆	10	1995	-	8	99¾	Dai-Ichi Kangyo Bk	8.063
Matsuo Bridge Co.(m)★★§	45	1995	-	4½	100	SBC	4.500
Toyo Sanso★★◆	20	1995	-	8	99¾	UBS	8.063
Nippon Pigment(r)★★§	16	1995	-	4¾	100	Nomura (Switz)	4.743
Seikitokyo Kogyo(b)★★§	100	1995	-	4½	100	Swiss Volksbank	4.500
FRENCH FRANCS							
In'finance Cr.Nat.◆	600	1991	1½	12¼	100.775	CCF	11.464
YEN							
Toyota Motor Cr.Corp(i)◆	5bn	1994	4	(i)	101¼	Nomura Int.	-
Cr.Local de France(j)◆	10bn	1997	7	(j)	101⅞	Mitsui Taiyo Kobe	-
Unibank◆	1.5bn	1991	1	7¾	100⅞	Nippon Cr.Int	6.815
SE Banken(p)◆◆	5bn	1995	5	(p)	100⅜	Mitsui Tst Int.	-
Tor.Dom Bk★★◆	10bn	1993	2¾	7½	100⅞	Mitsui Tst Int.	7.119
Toshiba America◆	10bn	1995	5	7	100.58	Nomura Int.	6.859
Kawasaki Steel◆	5bn	1995	4½	7	100.175	Wako Int./Mitsui Tst.	6.938
Union Bk of F'land◆	12bn	1993	3	8¼	101.35	Sumitomo Tst.Int.	7.729
Marubeni Fin.Int.(w)◆	3bn	1994	3¼	(w)	101.65	Nikko Secs.	-
LUXEMBOURG FRANCS							
Commerzbank Int.(h)◆	1bn	1997	7	9¾	101½	BGL	9.447
Merril Lynch★★◆	600	1994	4	10	101.65	BIL	9.424
In'finance Cr.Nat.★★◆	600	1995	5	9⅞	102	KBL	9.358
Paribas Finance BV★★◆	400	1995	4.416	10	101⅞	Banque Paribas (Lux.)	9.430
CL Belgium Fin.(v)◆	1.5bn	1997	7	9⅞	102	Cr.Lyonnais	9.471

★★Private placement. ◆Variable rate notes. †Floating rate note. §Convertible. ‡With equity warrants. ◆Final terms. a) Put option 30/3/93 108¾% to yield 7.575%. Conversion premium fixed at 2.5%. b) Put option 31/3/93 110¼% to yield 8.22%. c) Put option 31/10/92 108¼% to yield 8.052%. Conversion premium fixed at 2.545%. d) Put option 31/3/93 110% to yield 8.168%. Conversion premium fixed at 2.58%. e) Put option 30/11/92 108½% to yield 8.111%. f) Optional redemption 9/9/94 101½% declining ½% each year thereafter. Conversion premium fixed at 2.52%. g) Put option 31/3/93 109¼% to yield 7.542%. Conversion premium fixed at 2.5%. h) Euro-flux issue. Non-callable. i) Coupon pays 9.4% for first 2 years, thereafter 5.1%. Non-callable. j) Dual currency issue. Coupon pays A$7,734,342 annually pro-rata (equivalent to 9.2% at current exchange rates). Non-callable. k) Put option 31/3/93 109% to yield 7.922%. Conversion premium fixed at 2.55%. l) Step down Bull FRN. Coupon pays 27½% minus 2 x 3 month Libor for first 2 years, thereafter 24% minus 2 x 3 month Libor. Non-callable. m) Put option 31/3/93 110¼% to yield 8.262%. n) Put option 31/3/93 108½% to yield 8.011%. Conversion premium fixed at 2.6%. o) Coupon pays 4-month Libor plus ⅛% for first 4 months, thereafter, 6-month Libor plus ⅛%. Fungible with $280mn issue launched in May. Non-callable. p) Coupon varies between 3% and 15% for life of issue. Non-callable. q) Put option 31/3/93 111¼% to yield 8.588%. Conversion premium fixed at 4.386%. r) Put option 31/3/93 108¾% to yield 8.281%. s) Coupon pays 6-month Libor plus 40bp. Callable at par after 5 years and every interest pay date thereafter. Sinking fund redeeming 20% of issue annually from August 1995. t) Fixed re-offer price. Fungible with existing $1bn issue. Non-callable. u) Issuer has right to pay interest and redeem principal in sterling at fixed exchange rate of $1.8850. v) Amount increased from Flux1bn. Non-callable. w) Stepped Coupon. Coupon pays 8¼% for first 3 months, then 9% for 2 years, then 6% thereafter. Non-callable. x) Put and call option after 5 years at par. Coupon pays 6-month Libor plus ⅛%. y) Coupon indicated at 5⅜%. Conversion premium fixed at 2.55%. Non-callable. Note: yields are calculated on AIBD basis.

This announcement appears as a matter of record only.

Blue Circle Industries PLC

Guarantor of

£90,000,000

10½ per cent.
Convertible Capital Bonds due 2005

issued by
Blue Circle Industries Capital Limited

Baring Brothers & Co., Limited
Cazenove & Co.

Credit Suisse First Boston Limited ◆ Hoare Govett Corporate Finance Limited
Merrill Lynch International Limited ◆ Morgan Stanley International
NatWest Capital Markets Limited ◆ Nomura International
Salomon Brothers International Limited ◆ J. Henry Schroder Wagg & Co. Limited

July, 1990

NEW ISSUE These shares having been sold, this announcement appears as a matter of record only. AUGUST 1990

DEL FAVERO
(Incorporated with limited liability in the Republic of Italy)

International Offering of 3,500,000 Ordinary Shares
of Lire 1,000 par value each

Credit Suisse First Boston Limited

Baring Brothers & Co., Limited | Cazenove & Co.

Amsterdam-Rotterdam Bank N.V. | Gemina S.p.A.

Merrill Lynch International Limited | Nomura International

Paribas Capital Markets Group

Plaxton sees lower year's profit but same-again dividend

PLAXTON GROUP, the coach and bus manufacturer and vehicle dealer, is forecasting lower profits for 1990 after a setback in the first half. But it expects to maintain the dividend at 8.5p.

Turnover in the half year increased from £133m to £219.5m and the pre-tax profit from £3.7m to £5.21m – but this time included £2.44m from business disposals.

Mr David Matthews, chairman, said he was looking to a better climate next year.

He said that the coach and bus division had endured difficult trading conditions with interest rates causing severe price competition. That coincided with unusually high vehicle stocks inherited from last year's Duple and Arlington acquisitions, and that was reflected in sharply increased interest costs.

On the motor side trading was satisfactory despite new vehicle purchases being some 11 per cent lower in the UK. Profits had held up well with solid performances from parts and service and used vehicle sales. Three loss-making dealerships were closed.

Coach turnover was £65.29m (£51.66m) and its pre-interest profit £1.92m (£4m), while motor produced £154.2m (£81.34m) and £3.52m (£1.66m) respectively.

Earnings came to 10.9p (11.1p) and the interim dividend is again 3p.

Pathfinders falls and two directors resign

IN AN extremely difficult trading climate Pathfinders Group, the specialist entertainments and media recruitment agency, saw its pre-tax profit fall from £453,000 to £121,000 in the year ended March 31 1990, and is passing the dividend.

The group also announced a major change in the shareholding and management. Mr Stephen Worth (chairman) and Andrea Rose, a director, have resigned and sold their shareholdings aggregating 17.23m shares at 3.25p each.

Mr Stephen Hargrave has purchased 5.64m shares (23.6 per cent of the capital), joined the board and become chairman, while Mr Luke Johnson has bought 1.5m shares (6.3 per cent) and also become a director. The balance of 10m shares went to institutions.

Turnover of this USM-quoted group fell from £2.02m to £1.63m as the rail strikes and general economic climate took their toll. However, the general level of business now appeared to have stabilised. In June the two branch offices in Covent Garden and Bristol were closed. Earnings were 0.33p, against 1.23p from which a total dividend of 0.7p was paid.

Macfarlane 11% ahead at £4.8m

MACFARLANE Group (Clansman), the Glasgow-based packaging group, lifted first half profits by 11 per cent, from £4.32m to £4.8m.

Sir Norman Macfarlane, chairman, said the group had made satisfactory progress and profit for the full year should exceed the previous £9.26m. Turnover for the half year to June 30 rose from £48.74m to £53.86m.

In packaging the principal companies again made substantial contributions to profits, while the others produced significantly increased results.

The two principal companies in plastic moulding continued to do well, while the marking products division traded satisfactorily and the most recent French acquisition made a useful contribution.

Earnings in the half year worked through at 6.21p (5.59p) and the interim dividend is raised to 1.702p (1.533p).

End of wholesaling losses boosts Arnotts

The elimination of losses in its wholesaling division, which has ceased trading helped Arnotts, Dublin-based retailer, increase interim profits by 30 per cent. There was also an improved retailing performance.

In the six months to the end of July pre-tax profits were I£1.08m (£976,000), compared with I£832,000, on lower turnover of I£18.58m (I£21.58m).

Earnings per share were 3.5p (2.6p). The interim dividend is held at 2.25p.

Playing Pandora at Polly Peck

Continued from Page 17

"The company itself at different times has used different lawyers, different bankers and different advisers. Your saying in this country, horses for courses, is appropriate."

This does not explain, though, why he did not turn to advisers with which he had previously discussed a possible buy-out in far greater detail.

Commenting on his decision not to take greater financial advice before approaching the board, Mr Nadir said: "At this stage, all that was required was to put this highly conditional letter to the board to open the dialogue."

Mr Nadir argues that this letter, which has not been made public, absolves him from the criticism levelled by the Stock Exchange.

Mr Nadir denied that there was anything unusual about deciding on a Saturday to call a board meeting the next day.

"In my case, the seven days are all similar, a Sunday is no different from a Monday," he said. "I know that here in Britain you think of your working week as Monday to Friday and then you have your Saturday-Sunday holiday. That is not the case in this company. It is a living entity.

"Although it is a very formal entity, there also is a lot of informality in the company," he added. "Committee meetings or board meetings take place at a day's notice or a morning's notice." Only two directors were neither present nor consulted by telephone during the meeting on August 12, he said.

He pulled out five days later, he said, because shareholders speaking for more than 15 per cent of shares – sufficient to thwart compulsory purchase – made clear they would not accept a bid at the premium he had envisaged offering.

But Mrs Nevzat, describing her brother as "deep down, a sensitive man," suggests he was also moved by calls and letters from small shareholders begging him not to take the company private. "He had letters that would bring tears to his eyes," she said.

Where would bid finance have come from? Was funding available to make the buy-out a plausible proposition?

Because of his early withdrawal, this will probably never be answered definitely. Mr Nadir said on Friday financing had not been arranged before he approached the board, in marked contrast to the indication in the Stock Exchange's report that Polly Peck's board "understood" on August 12 that the money was mainly to come from Turkey.

After the first announcement, many leading names, on Wall Street and elsewhere, had asked to be included, he said. Only a small part was likely to have come from Turkey.

Mr Mark Ellis, Polly Peck's director for corporate development, said: "Financing would have come from at least eight countries, including an element of Turkish financing."

Three banks in Istanbul with which Mr Nadir has worked closely in the past said last week they had not been informed of the intended takeover. If a bid had gone ahead, bankers in Istanbul believe that the role of Turkish finance would have been very limited, perhaps only £30m of a total of more than £1.2bn.

On Friday, Mr Nadir said: "There has never been any doubt that this is an easily financeable deal. You don't prepare your financing initially. You assess the business and what can be financed and then you open a dialogue."

"Every six months that passes the company will be less and less vulnerable to a particular country, or region for that matter" — Mr Nadir

One of those at the Sunday board meeting says: "I don't think there was anyone in the room who had the slightest doubt about his determination and the availability of money."

But it is clear that Mr Nadir was proceeding on a presumption, apparently unconfirmed, that more than £1bn would be available to him, despite the uncertain financing climate since the collapse of the proposed United Air Lines leveraged buy-out last autumn, and the recent jitters because of the Gulf crisis

Was Mr Nadir linked in any way to a series of deals in Polly Peck shares which have been the subject of investigations by the Stock Exchange and the Inland Revenue?

Mr Nadir strongly denied any knowledge of any of the dealings in Polly Peck shares which had been carried out through a number of Swiss-based companies over a period of some months.

The transactions, through shelf companies in Switzerland which included Gateway Investments, Riverbridge Investments and Tristan, have been under review by the Stock Exchange's insider dealing group. The exchange is understood to have passed its findings to the Department of Trade and Industry and the Serious Fraud Office.

Many of the deals for the Swiss companies were arranged by Mr Jason Davies, a stockbroker who has been linked in press reports with Mr Nadir, Mrs Nevzat and associates. Mr Davies was, until July 31 1989, a director of South Audley Management, a property company once based at the address now occupied by Noble Raredon.

Another South Audley director was Mr Arseven Gumush, who quit that position when he joined the Noble Raredon board.

Mrs Nevzat said last week that before taking control of Noble Raredon (formerly Gnome Photographic), she had shared a building in South Audley street with SAM for about six or seven months. "I was looking for a building and just happened to be introduced and shared this building for a while," she said.

Mr Nadir said such associations were purely coincidental and do not link him, his sister or any of their companies with any of the deals carried out by Mr Davies. He said that he had never employed Mr Davies, although he knew him.

With Mr Nadir at his side, Mr William Grosvenor, Polly Peck's external public relations consultant, said: "Speaking for the company, the company has had no approach from any authority of any kind asking for any single shred of evidence or anything else about these companies – at all, not one. Nobody has approached them. The Inland Revenue has not had the courtesy to approach the company at all."

Until recently, Polly Peck itself had made only one attempt to uncover the real owners of shares bought in nominee names – 18 months ago, when it sent out a series of Section 212 notices asking for the identity of beneficial owners. These searches revealed a number of large investment institutions which used nominee accounts, and did not identify any suspicious holdings, the company said.

According to Mr Nadir: "There are millions of shares bought and sold every day. Unless a company feels in danger of a takeover, I wonder how many companies and their chairmen sit and watch who buys and sells their shares."

Polly Peck, however, is now understood to be undertaking a "routine" Section 212 sweep.

What are the implications of Mr Nadir's increasing role as a business force in Turkey, both through Polly Peck and on his own behalf?

There seem to be no doubts about the strength of Mr Nadir's recently assembled industrial empire in Turkey. Competitors and analysts speak of it with respect.

Polly Peck has 20 main subsidiaries in Turkey, most of them owned through Voyager Limited of the UK. The oldest, Meyna Tarim Urunleri (Meyna Agricultural Products), a fruit sorting and packaging operation, dates back only to 1983.

The group's activities include food, electronics, hotels, Pizza Hut restaurants, trading and a newly-announced joint venture to assemble Peugeot cars.

As he leafed through recent press cuttings in his Berkeley Square headquarters, Mr Nadir was clearly shaken by the Stock Exchange report

The Near and Middle East (to which Turkey made an unspecified contribution) accounted for £107.7m of Polly Peck's £161.4m pre-tax profits last year, a disproportionate share which has always caused concern among analysts. But Mr Nadir says: "Every six months that passes the company will be less and less vulnerable to a particular country, or region for that matter."

In the UK, Mr Nadir's reputation has been affected by his Cypriot roots and that island's tangled political situation. But in Turkey, the business establishment and the press also view Mr Nadir as something of an outsider.

Polly Peck executives are just as likely in Istanbul to claim that Mr Nadir and the group are the victims of an establishment conspiracy as they seem to be in London.

"Both political and business circles here in Istanbul regard Mr Nadir as a foreigner," says one well-known Istanbul businessman.

Several Turkish papers and magazines have made regular attacks on Mr Nadir, his family, and his industrial empire. In Turkey, he also owns a private industrial group, unconnected with Polly Peck, which consists of a small bank, two national newspapers and several magazines.

Altogether, he has spent about £55m on buying three publishing groups, a high price according to rival publishers, and has since spent heavily on staff and equipment. "It looks as if he is turning low cost operations into high cost ones very fast," says a competitor.

Mr Nadir's staff believe that the hostility of the Istanbul business establishment lies behind the scurrilous newspaper attacks in Turkey. "We cannot name them but we know who is paying them," said one of Mr Nadir's lieutenants.

Mr Nadir's friends and his enemies agree that much of his success in the Turkish market is bound up with his close ties with President Turgut Ozal and the ruling Motherland Party.

Last week, Mr Ozal phoned Mr Nadir in London, and Turkish diplomats blamed Polly Peck's troubles on Greek Cypriot disinformation.

Mr Nadir's lieutenants claim he is buying newspapers in Turkey not to win political influence but because he believes these ventures will also become strongly profitable in due course. His interest in press ownership may also reflect, however, annoyance at the treatment he has received.

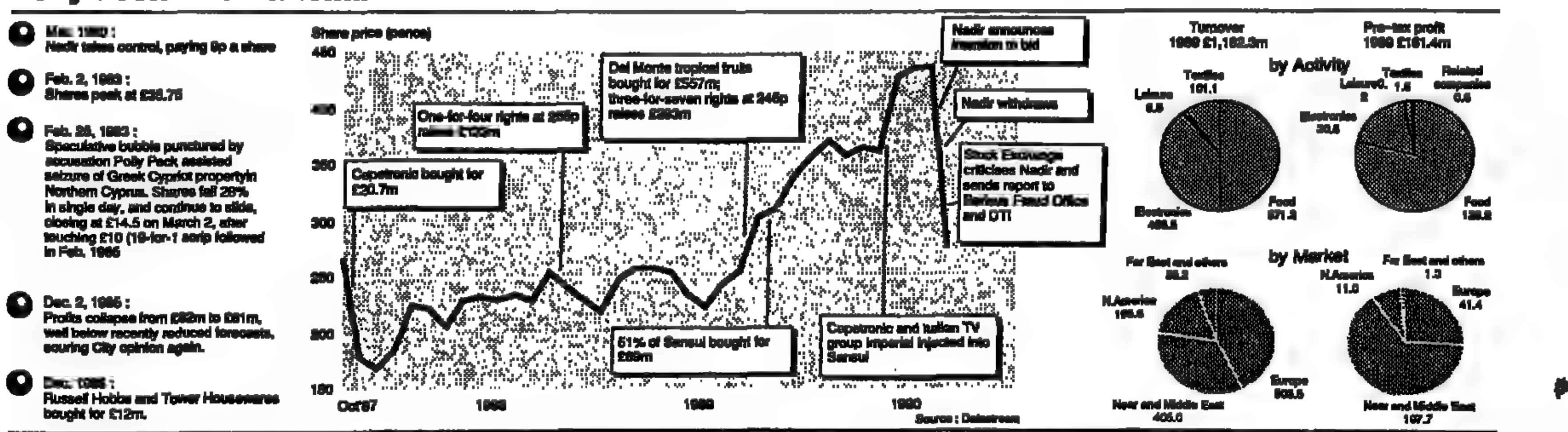
He is no less perturbed by the coverage of Polly Peck in Britain – over the past month and the past decade. As he leafed through recent press cuttings in his Berkeley Square headquarters, Mr Nadir was clearly shaken by the Stock Exchange report and the comment which followed.

He was eager last month to remove his affairs from the public scrutiny a London listing entails. Because it was launched prematurely, that ambitious plan ran aground before leaving the slipway and never was tested at sea.

Mr Nadir is left with a sharply lower share price, a bruised reputation, a cooling relationship with the Stock Exchange and the possibility of visits from the Department of Trade and Industry and the Serious Fraud Office following the quotations panel's report to those bodies.

She may have been Greek, but Mr Nadir may now regret he didn't pause to ponder the example of Pandora.

Polly Peck International



This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange").

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of Hoskins Brewery plc ("the Company") on the Unlisted Securities Market. It is emphasised that no application has been made for the Ordinary Shares to be admitted to listing and that this advertisement does not constitute an invitation or offer to the public to subscribe for or to purchase any securities.

Hoskins Brewery plc.

(Incorporated and registered in England under the Companies Act 1948 to 1981 No. 1907889)

SHARE CAPITAL

Authorised		Issued fully paid
£7,000,000	in Ordinary shares of 50p each	£2,880,252

Introduction

of 5,760,504 fully paid Ordinary shares of 50p each

by

HENRY COOKE CORPORATE FINANCE LTD

The main business of Hoskins Brewery is brewing and managing licensed premises.

Particulars relating to the Company are available in the Extel Unlisted Securities Market Service from 3rd September, 1990 and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 5th September, 1990 from the Company Announcements Office, 46-50 Finsbury Square, London EC2A 1DD and up to and including 17th September, 1990 from the registered office of the Company, Beaumanor Brewery, Beaumanor Road, Leicester LE4 5QE and from:-

West Riding House, 67 Albion Street, Leeds LS1 5NN — HENRY COOKE CORPORATE FINANCE LTD — Crowne House, 56/58 Southwark St. London SE1 1UL

3rd September, 1990

This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to any person to subscribe for or to purchase any securities.

Application has been made to The Stock Exchange for the ordinary shares, currently admitted to the Official List in Dublin, to be admitted to the Official List in London.

GRAFTON GROUP plc

(Incorporated and registered in Ireland with limited liability under the Companies Acts 1908 to 1917 – Registered Number 8149)

INTRODUCTION

of

15,578,048 ORDINARY SHARES OF IR25p EACH

to

THE OFFICIAL LIST IN LONDON

arranged by

ULSTER INVESTMENT BANK LIMITED

through

GOODBODY STOCKBROKERS

Copies of the Extel Cards containing Listing Particulars relating to Grafton Group plc are available from the Extel Statistical Services. They may also be obtained during normal business hours up to and including 5 September 1990 from the Company Announcements Office at The Irish Stock Exchange, 28 Anglesea Street, Dublin 2 and from the Company Announcements Office, The Stock Exchange, 46/50 Finsbury Square, London, EC2A 1B D and during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 17 September 1990 from:

Ulster Investment Bank Limited, 2 Hume Street, Dublin 2
Grafton Group plc, Lucan, Co. Dublin
Herbert Smith, Watling House, 35 Cannon Street, London EC4M 5SD

Dated 3 September 1990

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or to purchase, any securities. The Council of The Stock Exchange has granted permission for the Ordinary shares of 1p each mentioned below to be admitted to the Official List subject to the publication of the Rule 520 Notice. It is expected that dealings in such Ordinary shares, fully paid, will commence at 8.30 a.m. on 3rd September 1990.

FINLAN GROUP PLC

(Incorporated in England registered number 544516)

Open Offer of 321,810,444 Ordinary shares of 1p each at 2p per share

SHARE CAPITAL

Authorised £		Issued and fully paid £
5,133,334	Ordinary shares of 10p each	3,091,069
4,204,159	Ordinary shares of 1p each	3,218,104
9,337,493		6,309,173

Finlan Group PLC is the holding company of a group of companies, the principal activities of which are materials handling, merchanting and agency; the production of double glazed windows, doors and conservatories; and property development.

Listing Particulars relating to the issue of the Ordinary shares of 1p each have been published and are available in the Extel Statistical Services. Copies may be obtained during usual business hours up to and including 5th September 1990 from the Company Announcements Office at 46-50 Finsbury Square, London EC2A 1BD and during usual business hours on any weekday (Saturday and public holidays excepted) up to and including 17th September 1990 from Finlan Group PLC, 37 Ixworth Place, London SW3 3QH and from:

Barclays de Zoete Wedd Limited, Ebbgate House, 2 Swan Lane, London EC4R 3TS

Charterhouse Tilney, 1 Paternoster Row, St Pauls, London EC4M 7DH

Barclays de Zoete Wedd Limited and Charterhouse Tilney are both members of The Securities Association.

3rd September 1990

GRANVILLE
SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
9074	Ass. Brit. Ind. Ord	280	+1	10.3	3.7	7.5
600	Armitage and Rhodes	24	0			
141637	Bardon Group (SE)	180	0	4.3	2.4	17.5
18249	Bardon Group Cv. Pref. (SE)	106	+1	6.7	6.3	-
4234	Bray Technologies	70	0	5.9	8.4	6.2
	Bremhill Conv Pref	82	0	11.0	13.4	-
1186	CCL Group Ordinary	312	+2	14.7	4.7	3.9
2013	CCL Group 11% Conv Pref	161	+1	14.7	9.1	-
16740	Carbo Plc (SE)	220	-2	7.6	3.5	12.9
770	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
-	Magnet Gp Non Voting A Cnv*	0.1	0	-	-	-
-	Magnet Gp Non Voting B Cnv*	0.1	0	-	-	-
3903	Isis Group	49	-2	8.0	16.3	2.8
20827	Jackson Group (SE)	97	0	3.6	3.7	11.3
19494	Multihouse N.V. (AmstSE)	250	0	-	-	-
1438	Robert Jenkins	141xd	+5	10.0	7.1	9.1
15360	Scruttons	320	0	18.7	4.0	8.5
-	Unisrut Europe Conv Pref	173	-3	9.3	5.4	-
3779	Veterinary Drug Co. PLC	229xd	-1	22.0	9.6	9.4
8288	W S. Yeates	370	-2	16.2	4.4	30.8

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA.
These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities.
* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of TSA

Granville Davies Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of The ISE & TSA

IG INDEX — TELEPHONE: 071-828 7233 — AFBD MEMBER

FTSE 100: Aug. 2185/2195 +42; Sept. 2239/2249 +42
WALL STREET: Sept. 2590/2602 +3; Dec. 2620/2632 +3
5pm Prices. Change from previous 9pm close
HOW WELL DID YOU JUDGE THE MARKET?

CITICORP
MORTGAGE SECURITIES, INC.

REMIC Pass-Through Certificates, Series 1987-13
US$57,057,000 Initial Stated Amount
of Class A-1 Citicertificates

For the period 1st September, 1990 to 1st December, 1990 the Class A-1 Citicertificates will carry an interest rate of 8.9375% per annum with an Interest amount of US$18.72 per US$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st December, 1990. The Stated Amount of the Citicertificates outstanding will be 83.79360836% of the Initial Stated Amount of the Citicertificates, or US$837.93 per individual Citicertificate until 1st December, 1990.

Security Pacific Merchant Bank

3rd September, 1990 — Security Pacific National Bank, London – Agent Bank

Security Pacific Merchant Bank is the business name of Security Pacific National Bank, a member of The Securities Association.

EUROPEAN AMERICAN BANCORP
(INCORPORATED IN THE STATE OF NEW YORK U.S.A.)

US$125,000,000
Floating Rate Notes Due 1992

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 31st August, 1990 to (but excluding) 30th November, 1990, the Notes will carry a rate of interest of 8¼ per cent per annum. The relevant Interest Payment Date will be 30th November, 1990. The Coupon Amount per US$10,000 Note will be US$208.54 payable against surrender of Coupon No: 20.

Hambros Bank Limited
Agent Bank

MELLON BANK NA
US$250,000,000 FLOATING RATE, SUBORDINATED CAPITAL NOTES DUE NOVEMBER 1996

Notice is hereby given that for the period 31 August 1990 to 30 November 1990 the Notes will carry an interest rate of 8⅜% per annum. Interest payable on 30 November 1990 will be US$1,050.61 per US$50,000 Note.

CHEMICAL BANK
Agent Bank

FINANCIAL TIMES STOCK INDICES

	Aug 31	Aug 30	Aug 29	Aug 28	Aug 24	Aug 23	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.33	78.13	78.09	78.15	77.66	77.20	84.20	74.13	127.4	49.18
Fixed Interest	86.39	85.52	86.44	86.52	86.98	86.80	92.91	83.80	105.4	50.53
Ordinary	1699.6	1687.9	1658.9	1657.4	1616.8	1604.2	1968.3	1604.2	2008.6	49.4
Gold Mines	197.3	194.0	188.8	190.1	205.2	219.9	378.6	187.9	734.7	43.5
FT-Act All Share	1051.08	1047.54	1035.26	1036.51	1018.83	1013.26	1226.85	1013.26	1238.57	61.92
FT-SE 100	2162.8	2153.6	2126.7	2126.1	2086.4	2075.0	2463.7	2075.0	2463.7	986.9

COMPANIES AND FINANCE

Skandia to continue its aggressive policy

By Robert Taylor in Stockholm

SKANDIA, Sweden's largest insurance and property group and the fourth largest re-insurer in the world, has no intention of abandoning its present European strategy because of the sharp fall recorded at the end of last week in its first-half operating profits to SKr12m ($2.08m) from SKr1.02bn over the same period of 1989.

On the contrary, says Mr Bjorn Wolrath, group president, the company is about to be listed on both the London and Copenhagen stock markets. Half a million shares are to be sold by the group's pension fund in Copenhagen on September 18 and 19 before the first day of its listing there on September 27. There is not to be a similar sale in London where extensive trading in Skandia's shares is already taking place, although the company is unlisted.

This latest move is part of the group's aggressive programme initiated by Mr Wolrath to grow out of its non-European Community Nordic power base both to compete more effectively in the deregulated EC's insurance industry after 1992 and to strengthen itself to meet any counter-challenge from larger EC-based insurance companies in the smaller Nordic market.

It is nearly two years since Mr Wolrath bought back Skandia's hived-off international reinsurance operations and reintegrated them into the parent company with the aim of building a defensive Skandia Nordic empire to face the potential threat from competitors from mainland Europe.

A few months later the group acquired Vesta, Norway's largest insurance company and the market leader in marine insurance for NKr800m ($131m). Last year Skandia raised its majority stake from 53 per cent to 79 per cent in Kgl Brand (Royal Chartered), the seventh largest Danish insurance group which it acquired in November 1987.

It also forged 10 per cent cross-ownership links with Pohjola, Finland's leading insurance company. Mr Wolrath's vision of what he calls the "total Nordic company – with common computer centres, co-ordinated management training and other natural forms of teamwork," is coming into existence.

Mr Wolrath believes that UK insurance groups have been rather slow to recognise the EC market, too content to rest on existing business in the Anglo-Saxon world, but this is not true of Skandia. "We have recognised we have to go into Europe," he declares. "The EC will be integrated but all business will be local."

Mr Wolrath has rejected a joint partnership or alliance approach to the EC and instead wants to built up Skandia's direct presence there. "We would rather build up a network of our own companies and then link them together."

Bjorn Walrath: vision of a "total Nordic company"

He is particularly keen in western Europe to concentrate on the development of direct non-life insurance in sectors such as cars, homes and unit-linked insurance orientated to pensions.

Skandia is stronger in some European countries than others. So far it has established a firm, recognisable presence in the UK – last year it purchased the UK motor insurance subsidiary National Insurance and Guarantee Corporation – and in Italy where earlier this year it acquired Uniass and Multiass. It now has a foothold in the regulated German insurance market and it opened a unit-linked company in Switzerland this summer. The French insurance market remains difficult for outsiders to penetrate.

Clearly Skandia is not going to be as big a player in the European insurance company power struggle as Allianz in Germany, Italy's Generali and UAP in France, but Mr Wolrath is determined that his group will more than hold its own.

Deputy nominated to take over at Consob

By Haig Simonian in Milan

MR BRUNO PAZZI has been nominated as chairman of the Consob, Italy's stock market and companies' watchdog, in succession to Mr Franco Piga, who was recently appointed as the country's Minister for State Participations.

Mr Pazzi, who has worked for the past four years as Mr Piga's deputy at the Consob, has been part of the organisation since 1978.

The new president has set improving the stock market's efficiency as his main aim. Italian legislators have still to pass new laws on reforming the market by setting up a new type of financial institution, the Societa di Intermediazione Mobiliare (Sim), prohibiting insider trading and setting stricter criteria for takeovers.

The Consob's role will increase under the new legislation, partly because it will share responsibility for policing the Sim with the Bank of Italy. No date has been set for parliamentary approval of the new legislation. Some politicians hope it will be passed before the end of this year.

Mr Pazzi's presidency is due to expire at the end of 1991.

Sime Darby up by 27% for year

SIME DARBY, Malaysia's diversified conglomerate, reported group net earnings of M$283.6m (US$105.3m) in the year ended June 30, up 27 per cent from M$223.6m for the previous 12 months, Reuter reports from Kuala Lumpur.

Turnover rose 18 per cent to M$4.37bn from M$4.22bn.

Sime said its performance was lifted by record demand for heavy equipment and motor vehicles which helped its tractors operations reap M$136.3m in pre-tax profits, more than double last year's M$65m.

Sime said increased profits were reported by its main businesses except its manufacturing sector, which includes tyres, other products and plantations. This sector's profits fell to M$28m from M$32.2m.

Overall pre-tax profits rose 20.8 per cent to M$611.4m from M$506.3m a year earlier.

The main item contributing to the group's extraordinary profits of M$136.7m, up from M$47.2m, was the profit of M$109.6m from the public sale of a 25 per cent stake in its Sime Singapore subsidiary.

AMB earnings fall 29.1% in first half

AACHENER UND Münchener Beteiligungs (AMB) suffered a 15.6 per cent drop in net profits in the first half of 1990 to DM54m ($34m) from DM64m in the opening half of last year, AP-DJ reports from Frankfurt.

The Aachen-based holding company for West Germany's second largest insurance company, Aachener und Münchener Versicherung, said pre-tax earnings fell 29.1 per cent to DM83m for the half-year from DM117m a year earlier.

AMB, which also owns just more than 50 per cent of Bank für Gemeinwirtschaft (BfG), declined to comment on the bank's financial results but said it would not pay a dividend for 1989 so that it could be ploughed back into the bank.

AMB said it expected the fall in first-half after-tax earnings to flatten out.

For the half under review, earnings from shareholdings and other investments fell to DM84m from DM100m a year earlier. Earnings from financial services advanced to DM17m from DM14m.

AMB's Aachener und Münchener Versicherung subsidiary separately reported that it expected net earnings for the whole of 1990 to be strong, but that the development of its insurance business in the first six months of this year was not up to expectations.

Hit by claims for storms, the company's gross payouts during the first six months rose 9.4 per cent from a year earlier to DM558m, while premium income in the first half rose just 2.2 per cent to DM788m. The company added that it expected the growth of premium income to accelerate in the second half.

The insurer said the total value of its capital investment portfolio rose by DM83.7m from the end of last year to DM1.95bn at the end of June 1990.

NOTICE TO HOLDERS OF

FUJITSU LIMITED

(Fujitsu Kabushiki Kaisha)

U.S. $80,000,000
5¼ per cent.
Convertible Bonds due 1996
(the "1996 Bonds")

U.S. $180,000,000
3 per cent.
Convertible Bonds due 1999
(the "1999 Bonds")

Bearer Warrants to subscribe for shares of Common Stock of FUJITSU LIMITED in conjunction with issues of

U.S. $200,000,000
4⅞ per cent.
Bonds due 1991
(the "1991 Warrants")

U.S. $300,000,000
2 per cent.
Bonds due 1992
(the "1992 Warrants")

U.S. $500,000,000
3⅝ per cent.
Bonds due 1993
(the "1993 Warrants")

Pursuant to Condition 5 (C) (xii) of the Terms and Conditions of the 1996 Bonds and 1999 Bonds, and Condition 7 of the Terms and Conditions of the 1991 Warrants, 1992 Warrants and 1993 Warrants, notice is hereby given that, because of the issuance of new U.S. Dollar bonds with warrants on August 30, 1990, the conversion prices of the 1996 Bonds and 1999 Bonds, and the subscription prices of the 1991 Warrants, 1992 Warrants and 1993 Warrants have been adjusted as follows:

1. The conversion prices of the Bonds and the subscription prices of the Warrants in effect before such adjustment were Yen 503.50 per share of Common Stock for the 1996 Bonds, Yen 1,102.10 per share of Common Stock for the 1999 Bonds, Yen 1,017.90 per share of Common Stock for the 1991 Warrants, Yen 776.20 per share of Common Stock for the 1992 Warrants and Yen 1,552.50 per share of Common Stock for the 1993 Warrants, respectively, and the adjusted conversion prices of the Bonds and the subscription prices of the Warrants are Yen 501.80 per share of Common Stock for the 1996 Bonds, Yen 1,098.40 per share of Common Stock for the 1999 Bonds, Yen 1,014.40 per share of Common Stock for the 1991 Warrants, Yen 773.60 per share of Common Stock for the 1992 Warrants and Yen 1,547.20 per share of Common Stock for the 1993 Warrants, respectively.
2. Such adjustment took effect as of August 30, 1990, Tokyo time, pursuant to Condition 5 (C) (vi) of the Terms and Conditions of the 1996 Bonds and 1999 Bonds, and Clause 3 (vii) of the Instrument for the 1991 Warrants, 1992 Warrants and 1993 Warrants.

FUJITSU LIMITED
By: The Bank of Tokyo Trust Company as Trustee and Fiscal Agent

Dated: September 3, 1990

UK sign maker posts 36% rise in interim profit

ON TURNOVER ahead 19 per cent to £24.6m ($47.9m), pre-tax profit of Torday & Carlisle advanced 36 per cent to £1.52m in the first half of 1990, writes our Financial Staff.

The group supplies diesel engine, marine and industrial components, and makes commercial signs. The comparative turnover was £20.7m and profit £1.12m.

Mr Paul Torday, chairman, said the three divisions made a promising start to the year. That remained the case for DMI and Elfab Hughes, but market conditions for Oldham Signs deteriorated sharply late in the first half.

All volume production was now concentrated at the main unit in Beeston, and custom-built sign manufacture switched to Cross Green, both in Leeds.

The factory at Wembley would be closed shortly, the company said.

Earnings per share for the half year came to 8.4p against 6.6p and the interim dividend is lifted from 1.7p to 2.3p.

Northern Telecom may lift STC stake

SPECULATION is growing that Toronto-based telecommunications equipment maker Northern Telecom (NT) will raise its 27.5 per cent interest in STC, the UK communications and information systems group, following the sale of STC's computer business to Fujitsu of Japan for US$1.35bn, writes Robert Gibbens in Montreal.

NT has refused to comment on negotiations between the two companies, but STC officials have talked about "closer integration" with NT. Mr Paul Stern, NT chairman, is thought to be dissatisfied with a minority STC interest.

Pierre Cardin to buy back perfumes from Cyanamid

By George Graham in Paris

MR PIERRE Cardin, the Paris fashion designer who has placed his signature on everything from kettles to Cadillacs, is to buy back the perfumes company which bears his name from American Cyanamid, the US chemicals group.

The Cardin fashion house has refused to reveal either the price of the acquisition or the sales figures of Cardin perfumes. Analysts estimate its sales at about $50m a year.

The principal Cardin perfume brands are Bleu Marine and Pierre Cardin pour Monsieur, Choc for teenage girls and the latest launch, Rose Cardin for women.

Cardin will be following other French fashion houses which have in recent years sought to bring their brands back under their control. Yves Saint Laurent, for example, bought back the perfumes sold under its name from Squibb of the US in 1986.

Many large chemicals groups which sought to diversify into perfumes and cosmetics have found that this brand-conscious, consumer-orientated business does not fit easily with their manufacturing activities.

Cardin is one of the most widely sold brand names in the world. Rival designers, though acknowledging his commercial success, are critical of what they see as a deterioration of the brand image by indiscriminate licensing.

Mr Cardin has recently leapt with enthusiasm into eastern Europe, with plans to open a restaurant under his name in Alma Ata, in Kazakhstan, as well as Cardin fashion shops in Bucharest and Warsaw.

NORTHERN IRELAND

The Financial Times proposes to publish this survey on:

28 SEPTEMBER 1990

For a full editorial synopsis and advertisement details, please contact:

on 071-873 3000

or write to

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Klearfold increases losses

KLEARFOLD, a Pennsylvania-based plastics packaging maker which is quoted in London, announced a 1989 pretax loss of $252,000 which had increased to $890,000 for the six months to June 30 1990, writes our Financial Staff. For the year 1988, profits of $981,000 were reported.

Mr M.B. Herrin, chairman and president, said action was being taken to increase turnover at improved gross profit margins and to reduce overheads.

Most of the capital expenditure programmes had been completed and a positive cash flow should ensure a reduction in borrowings and a decline in the interest charge, he said. Interest in 1989 amounted to $1.86m compared with $1.25m and for the first half of 1990 was $1.05m against $812,000.

There is no final dividend proposed for 1989, against 3.9 cents last time, nor an interim dividend for 1990. Mr Herrin said the recommendation in respect of a final dividend for 1990 would be decided in the light of the whole year and the prospects for 1991.

Turnover advanced to $31.22m from $25.24m in 1989 but operating profits fell to $1.61m from $2.23m. The loss per share came through at 3.2 cents compared with earnings of 6.8 cents.

Sales in the six months rose to $16.67m from $13.14m with operating profits down to $159,000 from $462,000.

UNITED PAPER MILLS LTD.
NOTICE OF MEETING

To the holders of
U.S.$100,000,000 Floating Rate Notes Due 1995

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated 16th January, 1990 (the "Fiscal Agency Agreement") and made between United Paper Mills Ltd. (the "Issuer") and Citibank, N.A. (the "Fiscal Agent") relating to the above-mentioned Notes (the "Notes") that a meeting (the "Meeting") of the holders (the "Noteholders") of the Notes is convened by the Issuer and will be held at 10.00 a.m. on Wednesday 26th September, 1990 at the offices of Norton Rose at Kempson House, Camomile Street, London EC3A 7AN for the purpose of considering and, if thought fit, passing the resolution set out below (the "Resolution") which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Fiscal Agency Agreement.

The Resolution is being proposed to Noteholders by the Issuer as a result of the impending merger of the Issuer with Rauma – Repola Oy which is expected to take effect on or about 31st December, 1990 (the "Effective Date") when under the terms of the proposed merger and pursuant to the relevant provisions of Finnish law all the assets and liabilities of the Issuer and those of Rauma – Repola Oy will automatically pass to a new company, Repola Ltd. Accordingly, as from the Effective Date, Repola Ltd. will assume all the obligations of the Issuer under the Terms and Conditions of the Notes and the Issuer will cease to exist.

If passed, the Resolution will modify Condition 8(d) of the Terms and Conditions of the Notes, which constitutes one of the Events of Default under the Notes, so as to allow the merger to be effected without an Event of Default occurring, Repola Ltd. being thereafter for all relevant purposes the Issuer under the Notes. The listing of the Notes on the Luxembourg Stock Exchange would continue under the name of Repola Ltd.

Before the merger can be effected, the Finnish Companies Act (1978: 734) requires the permission of a local court in respect of the merger arrangements. Any creditor wishing to object to the merger must notify the Helsinki City Court on or before 1st October, 1990 in accordance with the terms of the Public Notice of Company Merger issued by that court on 27th June, 1990 copies of which are available for collection or inspection by Noteholders at the offices of the Fiscal Agent and for inspection only at the offices of the Paying Agents (together the "Agents"), the specified offices of which are set out below. Details of the background to, and the reasons for, the proposed merger are contained in a Merger Memorandum, copies of which are similarly available.

The resolution to be proposed at the Meeting is as follows:—

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the U.S.$100,000,000 Floating Rate Notes Due 1995 (the "Notes") of United Paper Mills Ltd. (the "Issuer") issued pursuant to a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated 16th January, 1990 made between the Issuer and Citibank, N.A. (the "Fiscal Agent"), hereby —

(1) assents to the modification of the Terms and Conditions of the Notes (as printed on the reverse thereof and in the Fiscal Agency Agreement) by rewording Condition 8(d) as follows:
"(d) the Issuer or any of its Principal Subsidiaries shall stop payment or shall be wound up or dissolved or shall cease to carry on its business or a substantial part thereof (otherwise than, in any relevant case, as a result of a reconstruction, merger or amalgamation under which (i) the assets and liabilities of a Principal Subsidiary pass to the Issuer or to another Principal Subsidiary or (ii) the assets and liabilities of the Issuer are acquired by another company by virtue of a legal merger permitted by a local Finnish Court in accordance with Chapter 14 of the Finnish Companies Act (1978: 734) (or any statutory modification or re-enactment thereof) where the Noteholders have been notified in accordance with the relevant provisions of Finnish law and Condition 12 hereof and have given their approval by Extraordinary Resolution) or is unable to pay its debts as they fall due;"
(2) sanctions every modification, abrogation, variation, compromise of, or arrangement in respect of, the rights of the Noteholders and the holders of the Coupons appertaining to the Notes against the Issuer involved in or resulting from the modification referred to in paragraph (1) of this Extraordinary Resolution;
(3) authorises the parties to the Fiscal Agency Agreement to execute all such documents and to do all such other acts and things, in each case as may be necessary to carry out and give effect to this Extraordinary Resolution; and
(4) approves for the purposes of the new Condition 8(d) the assumption by Repola Ltd. of the obligations of the Issuer in respect of the Notes and the dissolution of the Issuer."

The attention of Noteholders is particularly drawn to paragraphs 4 and 5 in "Voting and Quorum" below relating to the quorum required for the Meeting and for an adjourned Meeting.

VOTING AND QUORUM

1. A Noteholder who wishes to attend and vote at the Meeting in person must produce at the Meeting either the Notes, or a valid voting certificate (or valid voting certificates) relating to the Notes, in respect of which he wishes to vote. Voting certificates are issued by the Agents.
2. A Noteholder who does not wish to attend the Meeting in person, but does wish a vote to be cast at the Meeting in respect of the Notes which he holds, may either:
(a) deliver his Notes or voting certificate(s) to a person whom he wishes to attend and vote at the Meeting on his behalf; or
(b) by means of a block voting instruction, instruct any of the Agents to appoint a proxy to attend the Meeting and to vote at the Meeting in accordance with his wishes.
3. In order to obtain voting certificates (as referred to in paragraph 1 above) or to give voting instructions through an Agent (as referred to in paragraph 2(b) above), a Noteholder must deposit (at any time until 48 hours before the time appointed for the holding of the Meeting or, if appropriate, any adjourned Meeting, but not thereafter) his Notes with any of the Agents or (to the satisfaction of the Fiscal Agent) to the Fiscal Agent's order or under its control at Euroclear or CEDEL.
4. The Resolution can only be passed at a Meeting (or adjourned Meeting) at which the requisite quorum is present. For there to be a quorum at the Meeting there must be two or more persons present in person at the Meeting holding Notes or voting certificates or being proxies and holding or representing not less than three-quarters in principal amount of the Notes for the time being outstanding.
5. If within half an hour from the time appointed for the holding of the Meeting a quorum is not present at the Meeting, the Meeting will be adjourned and the Resolution will be considered at an adjourned Meeting of which at least a further ten days notice will be given to Noteholders. The quorum required at an adjourned Meeting in relation to this Extraordinary Resolution is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing not less than one quarter in principal amount of the Notes for the time being outstanding.
6. The Resolution and every question submitted to the Meeting or the adjourned Meeting will be decided by a show of hands unless a poll is duly demanded by the Chairman of the Meeting, by the Issuer or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth of the principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is present shall have one vote in respect of each U.S.$100,000 principal amount of Notes produced or represented by the voting certificate produced or in respect of which he is a proxy. On a show of hands a declaration by the Chairman of the Meeting that a resolution has been carried by the requisite majority is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
7. To be passed, the Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting thereon upon a show of hands or, if a poll is demanded, by a majority consisting of not less than three-quarters of the votes given on such poll.
8. If passed, the Resolution will be binding upon the Noteholders, whether they were present at the Meeting or not, and upon all Couponholders.

AVAILABILITY OF DOCUMENTS

Copies of the Merger Memorandum and the Public Notice of Company Merger referred to above may be obtained by Noteholders from the specified office of the Fiscal Agent or inspected by Noteholders together with the Fiscal Agency Agreement at the specified offices of the Fiscal Agent and the Paying Agents and voting instruction forms and voting certificates may be obtained by Noteholders from the specified offices of the Fiscal Agent and the Paying Agents, which are set out below.

AGENTS

The Agents (and the specified office of each Agent) referred to in this Notice are the following:

The Fiscal Agent and Principal Paying Agent:
Citibank, N.A.,
336 Strand, London WC2R 1HB.

The Paying Agents:

Citibank, N.A., Avenue de Tervuren 249, B-1150 Brussels

Citicorp Investment Bank (Luxembourg) S.A., 16 Avenue Marie-Therese, L-2132 Luxembourg

Citicorp Investment Bank (Switzerland), Bahnhofstrasse 63, CH-8021 Zurich

Dated 3rd September, 1990

This Notice is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult your professional adviser.

Bank of Montreal and Harris Bank

are pleased to announce the formation of

Bank of Montreal Global Custody

under the management of
Harris Trust and Savings Bank

Bank of Montreal Global Custody
provides services to clients worldwide
and holds in custody more than $12 billion in assets.

HARRIS BANK   Bank of Montreal

Harris Trust and Savings Bank • 111 West Monroe Street • Chicago, IL 60690 • (312) 461-2542

INTERNATIONAL BusinessWeek

This week's topics:

Iraq Crisis: The Economic Fallout

A Tax Crackdown On Multinationals

Some Daunting Corporate Debt Burdens

The Turnaround At Drugmaker Roche

Home Computers: Will They Sell Now?

Now available at your newsstand!

BusinessWeek International
Headquarter: 14, av. d'Ouchy, CH-1006 Lausanne, Tel. 41-21-617 44 11
UK toll-free number: 0800 289 137

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Trust Bank	15	Duncan Bank PLC	15	Provincial Bank PLC	16
Allied Irish Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shanghai	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sarewise 8.5% Top Tier-£50,000 + instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

CORRECTION NOTICE
TSB Hill Samuel Bank B.V.
(formerley Hill Samuel Finance B.V.)
US$30,000,000
Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 31 August 1990 to 28 February 1991 the Notes will carry a rate of interest of $8\frac{7}{16}$% per annum and the interest payable on the relevant interest Payment Date 28 February 1991 against Coupon No. 14 will be US$424.22.

Agent: Morgan Guaranty Trust company
J P Morgan

TO ADVERTISE IN THE HOLIDAYS AND TRAVEL SECTION

PLEASE CALL
Helen Day 071-407 5751
Sara Gabe 071-407 5753
Emma Stevenson
071-407 5763

TO ADVERTISE IN THE HOLIDAYS AND TRAVEL SECTION
PLEASE CALL

Helen Day 071-407 5751
Sara Gabe 071-407 5753
Emma Stevenson 071-407 5763

WORLD STOCK MARKETS

AUSTRIA

1990 High	Low	August 31	Price Sch
5,490	2,885	Austrian Airlines	3,650
7,300	4,982	Creditanstalt	5,200
29,590	19,700	Erste Allgemeine	23,200
19,600	13,500	Jungbunzlauer	13,570
1,435	660	Laenderbank	1,200
14,230	8,350	OeMV	10,800
2,380	1,650	Perlmooser	1,710
1,400	810	Radex	1,005
3,400	1,930	Reininghaus	2,240
250	115	Steyr-Daimler	196
1,510	760	Veitscher Mag	950
770	425	Verbund	550
7,580	4,360	Wienerberger	5,300

BELGIUM/LUXEMBOURG

1990 High	Low	August 31	Price Frs.
5,700	3,900	Arbed	4,200
3,520	2,510	B B.L	2,650
15,700	15,000	Bank Intl a Lux	15,000
15,000	14,000	Banque Gen. Du Lux	14,000
37,000	32,000	Banque Nat Belg	33,700
2,470	1,550	Barco	1,860
16,650	9,710	Bekaert B	10,450
9,900	6,850	Ciment CBR	7,640
5,990	4,850	Cobepa	5,090
6,030	4,900	Do. AFV 1	5,000
214	146	Cockerill	161
2,970	1,860	Colruyt	2,635
6,920	5,000	Delhaize	5,870
4,560	3,755	EBES	3,950
4,490	3,670	Do. AFV 1	3,900
544	145	Fabrique Nat	185
1,476	1,194	GIB Group	1,366
1,460	1,072	Do. AFV	1,346

[illegible]

FRANCE (continued)

1990 High	Low	August 31	Price Frs.
938	709	Beghin-Say	785
685	480	Do. Certs	580
3,480	2,695	Bongrain	2,900
683	444.9	Bouygues	524
1,534	979	CGIP	1,030
235	119.9	CMB Packaging	135
3,780	3,065	Carrefour	3,331
215	108	Casino	128.9
649	400	Cetelem	422
1,376	757	Chargeurs	832
1,813	1,241	Ciments Fr.	1,387
788	402.1	Club Mediterranee	456
486	345	CogHf	400
652	483	CGE	553
766	343	Coparex	766
262.8	154	CCF	171
1,420	980	Cred Foncier Fr	1,017
898	590	Cred Lyonn (CI)	706
1,591	1,000	Credit National	1,130
4,330	2,600	Damart	2,705
5,770	2,870	Docks de France	3,355
643	380	Dollfuss-Mieg	415
768	485	Dumez S.A.	652
2,750	2,015	Eaux (Cie Gen)	2,273
620	374.5	Ecco	410
1,083	756	Electrofin're	774
730	511	Elf-Aquitaine	668
525	406	Do. Certs	484
1,400	925	Epeda-Bertrand	960
604	346	Essilor	380
2,515	1,750	Etex	1,950
2,690	1,271	Eurafrance	1,430
2,450	1,430	Eurocom	1,650
108.2	84.2	Euro Disneyland	88.6
4,920	2,990	Euromarche	3,100
2,029	1,324	Exor	1,474

[illegible]

GERMANY (continued)

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SOUTH AFRICA

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices August 31

Sales	Stock	High	Low	Close	Chng
360558	CP Ltd	$18⅝	18½	18⅝	+ ⅛
166	C Roxy	$7	7	7	– ⅛
283072	CTire A f	$20¾	20⅝	20⅝	– ⅛
5130	CUtil A f	$19¼	19⅛	19⅛	
100	CUtil B	$19⅜	19⅜	19⅜	– ⅛
1262	Canamax o	110	110	110	– 2
1800	Cantor	$22⅞	22¾	22¾	– ⅛
3800	Cara	$16	16	16	
20000	Cara A f	$15⅝	15½	15½	+ ⅛
500	Carena	$19⅛	19⅛	19⅛	– ⅛
1000	Cascades	380	385	380	
101	Celanese	$30¾	30¾	30¾	– ⅛
300800	Grafton A f	380	380	380	
1000	Granges	125	125	125	
2200	GL Group	$19	19	19	
1730	GW Lifeco	$12¾	12⅝	12¾	
910	Greyhnd	$29¼	29¼	29¼	
38587	Gulf Res	$15⅞	16¾	15¾	– ⅛
35900	Haley	250	250	250	– 10
2400	Harris A	400	400	400	
279	Hayes D	$11¼	11¼	11¼	– ⅛
9800	Hees Intl	$20⅛	20	20⅛	+ ⅛
22650	Hemlo	$13¼	12⅞	13⅛	
10080	Hollingr	$12⅛	12	12	– ⅛

[illegible]

MONTREAL

Closing prices August 31

[illegible]

INDICES

NEW YORK

DOW JONES	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2614.36	2593.32	2632.43	2614.85	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.25	89.22	89.30	93.04 (3/1)	88.48 (2/5)	—	—
Transport	901.44	901.26	911.13	899.82	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	195.93	195.72	195.61	193.60	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2624.50 (2641.34) Low 2569.31 (2578.47)

STANDARD AND POOR'S	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite §	322.56	318.71	324.19	321.34	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	382.05	377.71	384.47	381.58	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	24.00	23.68	24.01	23.79	31.87 (3/1)	22.07 (23/8)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	176.97	175.23	177.78	176.26	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	323.39	322.91	324.23	321.78	382.45 (5/1)	315.86 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	381.21	378.60	381.78	382.86	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Aug 24	Aug 17	Aug 10	year ago (approx.)
Dow Industrial Div. Yield	4.29	4.10	3.98	3.39

	Aug 29	Aug 22	Aug 15	year ago (approx.)
S & P Industrial div. yield	3.28	3.34	3.12	2.75
S & P Indl. P/E ratio	15.47	14.96	16.07	14.31

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Ohio Edison	2,757,400	16⅛	+ ⅛
Bank New Eng.	2,640,300	2⅛	+ ⅛
Gen. Motors	1,226,600	39¾	+ ⅛
Wal-Mart	1,150,900	28⅛	+ ⅛
Toys R Us	1,039,500	25⅜	- ⅛
Philip Morris	1,028,400	45⅛	+ ⅝
Am. Express	971,700	24⅛	+ ⅛
IBM	875,900	101⅞	+ ⅛
Global Marine	873,100	6	+ ⅛
Gen. Electric	870,900	62	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Aug. 31	Aug. 30	Aug. 29
New York	96.450	120.890	134.240
Amex	6.087	7.312	11.557
NASDAQ	(u)	106.302	118.069
Issues Traded	1,939	1,969	1,975
Rises	890	467	971
Falls	572	995	512
Unchanged	477	507	492
New Highs	2	4	4
New Lows	91	67	46

CANADA

TORONTO	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW
Metals & Minerals	3046.71	3027.32	3020.76	3051.20	3453.05 (4/1)	2850.80 (25/4)
Composite	3346.25	3329.83	3339.72	3354.20	4009.47 (3/1)	3329.83 (30/8)
MONTREAL Portfolio	1756.54	1743.01	1752.42	1758.70	2060.98 (3/1)	1720.25 (27/8)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW
[illegible]						
TAIWAN** Weighted Price (30/6/66)	3635.28	(c)	3405.21	3466.18	12495.34 (10/2)	3135.56 (24/8)
THAILAND Bangkok SET (30/4/75)	862.75	870.80	834.97	821.75	1143.78 (25/7)	695.81 (24/8)
WORLD M.S. Capital Intl. (1/1/70)	(u)	472.6	471.6	474.7	571.0 (4/1)	448.3 (24/8)

**Saturday August 25: Taiwan Weighted Price: 3164.61. Korea Comp Ex: 587.38

§ Subject to official recalculation.

Apr6 Base values of all Indices are 100 except: Brussels SE, 1980 Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 31 August 1990

	Stocks Traded	Closing Prices	Change on day
Fuji Heavy Ind	37.6m	876	+6
Nippon Lght Mtl	27.8m	1,540	-40
Kurabo Ind	26.4m	1,300	+80
Ube Ind	20.3m	762	+31
Fujita Corp	19.9m	1,830	-10
Japan M&Chem	19.1m	2,100	-80
Asahi Chemical	14.1m	845	-25
Osaka Gas	11.4m	832	+42
Nippon Steel	10.6m	501	-4
Furukawa Elctrc	8.1m	815	+30

WALES

The Financial Times proposes to publish this survey on:

17th September 1990

For a full editorial synopsis and advertisement details, please contact

Clive Radford
on Bristol (0272) 292565
Fax (0272) 225974

or write to him at :

Merchants House
Wapping Road
Bristol
BS1 4RW

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

THE NEW FACE OF BRITISH BROADCASTING

The Financial Times proposes to publish this survey on:

2nd October 1990

For a full editorial synopsis and advertisement details, please contact

Neville Woodcock
on 071 873 3365

or write to him at :

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 33p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	Yield Gross	City-line
NUAM Funds				
Managed Fund	62.1	65.4	–	43191
Stock Market Mngd Fund	59.3	62.5	–	43192
Equity Fund	66.7	[illegible]	–	43193
International Fund	52.6	55.4	–	43194
European Fund	65.7	69.2	–	43195
North American Fund	50.7	53.4	–	43196
Pacific Fund	55.9	58.8	–	43197
Property Fund	87.0	[illegible]	–	43198
Fixed Interest Fund	50.9	53.6	–	43199
Index Linked Sec Fund	57.2	60.2	–	43200
Deposit Fund	64.7	68.2	–	43201
NUAM Retirement Plans				
Mixed Fund	67.4	70.9	–	43202
UK Ordinary Share Fd	76.9	81.0	–	43203
International Fund	57.3	60.4	–	43204
Property Fund	85.0	89.5	–	43205
Fixed Interest Fund	60.4	63.6	–	43206
Index Linked Sec Fund	60.3	63.5	–	43207
Deposit Fund	74.7	78.6	–	43208
NUAM (MF)				
Managed Fund	877.8	924.0	–	43209
Equity Fund	[illegible]	[illegible]	–	43210
International Fund	[illegible]	[illegible]	–	43214
Property Fund	[illegible]	579.1	–	43211
Fixed Interest Fund	381.6	401.7	–	43212
Index Linked Sec Fund	[illegible]	61.3	–	43215
Deposit Fund	[illegible]	280.2	–	43213

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	Yield Gross	City-line
Unitised Life				
With Profits Fd	104.06	109.54	–	47620
Managed Fd	84.34	88.78	–	47615
UK Ord Share Fd	87.48	92.08	–	47619
International Fd	77.50	81.58	–	47613
European Fd	90.84	95.62	–	47611
North American Fd	76.94	80.99	–	47616
Pacific Fd	70.42	74.12	–	47617
Property Fd	99.84	105.09	–	47618

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Individual Pension Funds				
UK Equity Acc	209.7	221.3	–	43454
UK Fixed Interest Acc	186.9	197.2	–	43455
Intl Equities Acc	211.2	222.8	–	43456
UK Managed Acc	170.0	179.3	–	43457
Property Acc	208.8	220.3	–	43458
Money Acc	146.1	154.2	–	43459
Special Market Acc	221.7	233.9	–	43460
Japan Equity Acc	157.1	165.8	–	46761
North American Acc	105.8	111.7	–	43462
Pacific Acc	161.6	170.5	–	43463
Technology Acc	134.9	142.3	–	43464
[illegible]	103.7	109.4	–	43465
European Acc	119.0	125.6	–	43467
Residential Prop Acc	106.3	112.2	–	43468
Swiss Equities Acc	35.7	37.7	–	43469
Hong Kong Acc	47.6	50.3	–	43470
UK High Inc Equ Acc	67.7	71.5	–	43471
Int Fixed Interest Acc	52.0	54.9	–	46410
Int Managed Acc	54.0	56.9	–	46411
Group Pension Funds				
Equity Acc	726.0	748.5	–	43473
Fixed Interest Acc	549.6	566.6	–	43474
Managed Acc	120.2	122.6	–	43475

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	Yield Gross	City-line
Unit Fund (Mixed)	986.0	1035.3	–	43476
Equity Fund	225.3	236.6	–	43477
International Fd	130.3	136.8	–	43478
Fixed Interest Fd	153.8	161.5	–	43479
Property Fund	230.0	241.5	–	43480
Index-Linked Fund	144.7	151.9	–	43481
Deposit Fund	153.6	161.3	–	43482
Pens. Mixed (OnD) Fd	239.8	251.8	–	43483
Gold Pensions				
Discretionary Fund		116.8	–	46412
Equity Fund		116.4	–	46413
Fixed Interest Fund		[illegible]	–	46414
International Fund		100.7	–	46415

Royal Life Insurance Ltd
New Hall Place, Liverpool

Royal Liver Assurance
Royal Liver Building, Liverpool

Save & Prosper Group
28 Western Rd, Romford

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	Yield Gross	City-line
North American Equity $	$8.26	8.89	–	45824
Pacific Equity $	$7.28	7.84	–	45825
Intl Currency $	$4.32	4.65	–	45826
Intl Bond Fund $	$6.72	7.23	–	45827
Gilt Fund £	£3.81	4.11	–	45828
US Dollar Mngd Fd $	$1.65	1.77	–	45829
Stlg Managed Fd £	£1.03	1.11	–	46829

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	Yield Gross	City-line
Sterling Pens Plan	£0.73	0.79	–	45907
US Dollar Pens Plan	$0.76	0.82	–	45908
Yen Pens Plan	Y265	283	–	45909
Ecu Pens Plan	Ecu0.66	0.71	–	45910
Sterling Man Fd	£1.02	1.09	–	45911
Sterling Fixed Int Fd	£1.48	1.57	–	45912
US Dollar Man Fd	$1.22	1.29	–	45913
US Dollar Fixed Int Fd	$1.38	1.46	–	45914
Ecu Bond Fd	Ecu1.09	1.15	–	45915
Davenport Cheque £ Fd	£0.76	0.82	–	45916
Davenport Cheque $ Fd	$0.67	0.72	–	45917
Davenport Cont £ F.I.	£1.06	1.15	–	45918
LWI Universal Stg Mgd	£0.74	0.77	–	45919
LWI Universal $ Mngd	$0.63	0.66	–	45920
Matheson £ Pens	£0.77	0.81	–	45921
Matheson $ Pens	$0.81	0.86	–	45922
EDM MIM £	£0.85	[illegible]	–	47412
EDM MIM $	$0.95	[illegible]	–	47413
Royal Vernon Fund	£0.72	0.758	–	45924
Western Special Sits	£1.00	1.042	–	46348
Pronaco $ Managed	$0.91	0.955	–	45925
Pronaco £ Managed	£0.99	1.034	–	47957
Argent Stg Blend		£10.85	–	46311
Argent Stg Eqty Gth		£11.52	–	46312
[illegible]		£1.05	–	46809

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
Target Mngd Bond	186.9	196.8	–	44591
Target Mngd Pension	115.0	121.1	–	44592
Albany Life Acc	173.8	182.9	–	41721
Albany Pens Acc	217.1	[illegible]	–	41722

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Unit Name	Init Chge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line

Ivory & Sime Pembroke Inc
UK Agent, Ivory & Sime Plc, One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

	Init Chge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
GBC Nth America Inc*		C$–	2.80			46768
Approx Stlg Equiv		£–	1.2314			47933

*Dealing Thursdays–Forward Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Dollar is no haven

AS THE Gulf crisis enters its second month, the US dollar has so far failed to live up to its reputation as the safe haven in times of trouble. Since Iraq's invasion of Kuwait at the beginning of August, the dollar has weakened against all major currencies, including the Japanese yen which could be expected to lose ground because of Japan's dependence on oil supplies from the Middle East.

There was some corrective profit-taking in long positions on high yielding currencies on Friday, including sterling. However, Credit Lyonnais Securities thinks that the structure of international debt has tilted the balance against the dollar, and suggests that at times of crisis there is a fear factor in the markets, tempting international funds to move closer to home.

Countries with a high dependency on foreign investment are, on this reasoning, more vulnerable. The US has international borrowings of over $600bn, while countries such as West Germany and the UK are net lenders.

This could be a reason why the D-Mark and sterling have performed relatively well during the crisis, while the dollar has fared badly.

It is also noted that Eurodollar interest rates are below corresponding rates for D-Marks and Swiss francs and are lower than longer term yen rates. The Bank of Japan increased its discount rate last week, leading to speculation that the Bundesbank may follow.

Inflation in Switzerland is now running at an annual rate of 6 per cent. Interest rates in Zurich will almost certainly stay high in an attempt to reduce this, but if the US Federal Reserve moves it is expected to cut rates. This can hardly add to the attractions of the dollar.

UK clearing bank base lending rate 15 per cent from October 5, 1989

£ IN NEW YORK

Aug 31	Close	Previous Close
£ Spot	1.8900-1.8910	1.9220-1.9230
1 month	1.08-1.06pm	1.08-1.07pm
3 months	3.13-3.10pm	3.15-3.12pm
12 months	10.3-10.1pm	10.4-10.3pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

STERLING INDEX

CURRENCY RATES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Aug 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8865 - 1.9175	1.8920 - 1.8930	1.09-1.06cpm	6.82	3.15-3.11pm	[illegible]
Canada	2.1840 - 2.1995	2.1985 - 2.1995	0.47-0.38cpm	2.33	1.26-1.14pm	2.22
Netherlands	3.34¼ - 3.37	3.35½ - 3.36½	1⅞-1¾cpm	6.47	5¾-5⅝pm	[illegible]
Belgium	60.90 - 61.45	61.20 - 61.30	31-28cpm	5.78	86-83pm	5.52
Denmark	11.34½ - 11.45½	11.36½ - 11.37½	4⅛-4orepm	4.49	12¾-11pm	[illegible]
Ireland	1.1025 - 1.1150	1.1110 - 1.1120	0.40-0.30cpm	3.78	1.05-0.95pm	3.60
W Germany	2.96 - [illegible]	[illegible] - 2.98½	1⅜-1¼pfpm	6.54	4⅜-4¼pm	6.20
Portugal	261.80 - 264.35	262.60 - 263.00	36-5cpm	0.94	77-21pm	0.75
Spain	184.55 - [illegible]	185.20 - [illegible]	9-3cpm	[illegible]	21-11cpm	0.35
Italy	2204¾ - 2221¾	2211¾ - 2212¾	9-7lirepm	[illegible]	21-19pm	3.62
Norway	11.48 - 11.58½	11.52¼ - 11.53¼	4⅞-4⅛orepm	4.68	12-11¼pm	4.05
France	9.95½ - 10.03¾	9.99¾ - 10.00¾	4⅛-4cpm	4.95	11¾-11¼pm	4.48
Sweden	10.91½ - [illegible]	10.94¾ - 10.95¾	2⅛-2orepm	2.33	4⅞-4⅜pm	1.69
Japan	271½ - 276¼	271¾ - 272¾	1⅜-1⅛ypm	6.89	4⅛-4⅛pm	6.52
Austria	20.86 - 21.01	20.96 - 20.99	11⅞-11⅛gropm	6.54	33¾-31pm	6.11
Switzerland	2.45¼ - [illegible]	2.47 - 2.48	1⅛-1¼pm	6.36	3⅞-3⅝pm	6.06
ECU	1.4355 - 1.4385	1.4385 - 1.4385	0.61-0.58cpm	4.96	1.65-1.60pm	4.52

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.01-5.94cpm. 12 Month 10.65-10.30pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 31 1990 US Dollar Index	% chg ($) since 29/12/89	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/89	Gross Div. Yield	THURSDAY AUGUST 30 1990 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (80)	143.73	-5.1	112.60	130.69	117.73	117.58	-7.7	6.27	144.85	111.70	132.06	117.93	117.73	158.31	125.85	152.97
Austria (19)	231.63	+27.1	181.46	210.63	189.73	188.61	+17.9	1.54	236.32	182.25	215.49	192.41	192.35	265.05	193.15	146.31
Belgium (61)	143.04	-7.5	112.06	130.06	117.16	114.11	-16.0	5.08	144.48	111.42	131.73	117.62	114.55	160.02	132.11	132.32
Canada (119)	133.74	-12.1	104.77	121.60	109.54	111.85	-12.4	3.63	134.09	103.41	122.26	109.16	111.27	153.61	130.37	152.04
Denmark (33)	258.39	+6.7	202.43	234.96	211.65	211.13	-2.6	1.40	258.27	199.17	225.50	210.27	210.76	277.62	236.69	194.61
Finland (26)	122.99	-7.7	96.35	111.84	100.74	96.23	-15.8	2.88	122.91	94.78	112.07	100.07	95.00	152.29	121.53	133.39
France (123)	141.19	-9.5	110.61	128.38	115.64	117.00	-17.4	3.50	144.36	111.33	131.62	117.52	118.89	168.85	133.16	128.84
West Germany (92)	122.84	-0.7	96.23	111.71	100.61	100.61	-7.5	2.24	125.32	96.65	114.29	102.03	102.03	144.63	117.75	96.10
Hong Kong (48)	126.36	+7.9	98.99	114.90	103.51	125.92	+7.3	5.16	125.65	96.90	114.57	102.31	125.22	147.49	112.24	104.96
Ireland (17)	151.89	-16.3	118.99	138.11	124.41	125.74	-23.6	3.45	154.28	118.96	140.60	125.61	126.94	198.57	146.81	152.68
Italy (96)	92.39	-6.1	72.38	84.00	75.67	80.66	-13.5	2.93	93.48	72.09	85.24	76.11	81.06	109.26	87.35	94.90
Japan (454)	130.71	-33.8	102.40	118.86	107.06	118.88	-33.8	0.71	129.37	99.77	117.96	105.34	117.96	197.26	118.66	178.60
Malaysia (35)	216.17	-5.6	169.35	196.55	177.06	223.79	-6.0	2.64	216.17	166.71	197.10	175.99	223.79	250.89	195.23	187.76
Mexico (13)	515.92	+58.5	404.17	469.13	422.59	1629.92	+70.3	0.32	514.44	396.73	469.08	418.84	1626.64	561.41	324.53	287.91
Netherland (42)	135.65	-5.7	106.26	123.34	111.11	109.89	-12.4	5.18	137.36	105.60	125.25	111.83	110.62	149.03	130.43	124.27
New Zealand (17)	63.34	-12.1	49.62	57.60	51.89	54.74	-15.1	6.53	63.48	48.95	57.88	51.66	54.59	75.36	59.57	87.25
Norway (23)	261.76	+31.0	205.06	238.02	214.41	216.46	+21.0	1.47	261.30	201.51	238.26	212.74	214.75	278.79	202.34	183.73
Singapore (25)	176.19	-0.6	138.03	160.21	144.32	143.23	-7.7	2.92	174.06	134.24	168.73	141.72	141.51	209.24	156.96	165.38
South Africa (60)	179.84	-8.5	140.89	163.52	147.30	152.66	+0.4	3.76	179.85	138.70	163.99	146.42	152.96	251.39	170.00	150.75
Spain (42)	157.97	-3.1	123.76	143.65	129.40	117.46	-13.1	4.67	159.21	122.78	145.17	129.62	117.35	182.25	132.84	158.37
Sweden (34)	200.05	+4.2	156.72	181.91	163.86	171.32	-2.7	2.34	203.80	157.16	185.83	165.93	173.63	234.93	173.89	182.76
Switzerland (68)	96.68	+2.8	75.74	87.91	79.20	78.40	-12.8	2.65	97.75	75.39	89.14	79.60	78.51	109.77	88.75	89.50
United Kingdom (301)	163.89	+3.3	128.39	149.01	134.23	128.39	-12.0	5.35	165.88	127.93	151.24	135.04	127.93	176.18	139.87	153.69
USA (537)	130.17	-9.0	101.97	118.37	106.62	130.17	-9.0	3.78	128.69	99.25	117.35	104.78	128.69	148.95	123.62	143.84
Europe (977)	141.34	-0.7	110.73	128.52	115.78	113.28	-11.7	4.08	143.37	110.56	130.73	116.73	113.73	157.65	135.57	128.48
Nordic (116)	200.98	+7.3	157.45	182.75	164.62	161.35	-0.9	1.88	202.51	156.17	184.66	164.88	162.00	223.29	185.01	167.39
Pacific Basin (659)	130.95	-32.0	102.59	119.06	107.26	118.84	-32.1	1.10	129.72	100.04	118.29	105.62	118.00	192.75	119.53	174.99
Euro-Pacific (1636)	135.53	-21.5	106.18	123.23	111.01	117.24	-25.0	2.36	135.63	104.60	123.86	110.42	116.96	174.18	127.11	158.51
North America (656)	130.29	-9.2	102.07	118.49	106.74	126.99	-9.2	3.77	128.93	99.45	117.58	104.99	127.58	148.43	124.33	144.23
Europe Ex. UK (676)	126.79	-3.3	99.33	115.31	103.87	104.05	-11.5	3.20	128.79	99.32	117.46	104.88	105.01	145.62	121.42	112.51
Pacific Ex. Japan (205)	132.94	-1.5	104.15	120.90	108.90	115.45	-3.7	5.52	133.14	102.67	121.42	106.41	115.19	146.72	122.53	131.55
World Ex. US (1828)	136.13	-21.0	106.64	123.79	111.51	117.81	-24.3	2.42	136.23	105.06	124.23	110.92	117.53	173.77	128.14	156.39
World Ex. UK (2064)	129.99	-19.3	101.83	118.20	106.48	121.04	-20.3	2.57	129.31	99.72	117.91	105.29	120.36	162.00	121.96	150.57
World Ex. So. Af. (2305)	132.71	-17.3	103.97	120.69	108.71	121.53	-19.7	2.87	132.27	102.00	120.62	107.70	120.87	161.84	125.26	150.84
World Ex. Japan (1911)	135.51	-5.6	106.15	123.23	111.01	123.36	-9.8	3.96	135.53	104.52	123.59	110.36	122.83	151.59	130.40	138.01
The World Index (2365)	133.00	-17.3	104.19	120.94	108.95	121.75	-19.5	2.88	132.56	102.23	120.87	107.93	121.09	162.05	125.57	150.03

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited 1987

Constituent changes: Addition: ABN Amro Hldgs.(Netherlands)(29/8/90). Deletions: Cofimeg (France)(28/8/90), ABN Bank and Amro Bank (both Netherlands)(29/8/90). Malaysian market closed August 31.

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,865.4	ANZ SA1	193	-1.0	9.8	12.6	Feb July	1698
2,737.9	Abbey National 10p	209	1.5	3.6	6.8	Apr Oct	5411
904.9	Allied Irish Ord	163	1.9	5.5	29.5	Dec July	1354
1,484.6	Algemene Fl 10	£10½	9.1	8.0	3.5	Aug May	1567
34.8	Anglo Irish	58	1.8	7.2	30.4	Jan Jul	1355
151.2	Arbuthnot (H.) 1p	81	...	4.1	12.3	April	1624
759.7	Bancaire Cie Fr100	£44¼	6.6	2.9	9.5	May Mar	2202
1,947.3	Banco Bilbao Viz	£16¼	6.6	4.9	9.12	Dec June	–
564.3	Bank Ireland I£1	169	-4.0	7.8	29.5	July Dec	1360
134.4	Bank Leumi	£19½	......	–	–	–	1740
24.7	Bank Leumi (U.K.)	358	...	5.7	6.8	Mar Sep	1740
812.3	Bank Scotland	107	0.5	5.7	30.4	Nov Jul	1742
95.5	Do 9¼pc Irrd Pf	95½	1.1	12.9	30.4	May Nov	1462
14.1	Bank of Wales	44	4.8	8.5	30.4	Nov Jun	1743
5,679.4	Barclays £1	359	3.8	7.3	20.8	Oct May	1754
6.97	Benchmark 20p	13	......	16.7	9.4	May Oct	1802
45.5	Brown Shipley £1	285	0.4	5.6	11.6	Jan Aug	1983
79.9	Cater Allen £1	337	0.6	9.7	25.6	Jan Aug	2081
16.5	Chancery	79	-3.7	15.2	25.6	Jan July	2102
369.5	Commerzbk DM10	£27¼	3.2	3.6	27.5	May	1046
[illegible]	Dai Ichi KBk Y50	677	-3.7	0.4	4.7	June	3221
[illegible]	Deutsche Bk DM50	£233¾	7.9	2.0	17.5	May	2345
172.4	Espirito Santo	£16¼	0.8	2.5	–	June	5187
296.7	First Nat. Fin 10p	184	3.4	9.4	9.7	Mar Aug	2571
44.1	FNFC 6.3pc Cv Pf	91	3.4	9.2	25.6	July	2570
[illegible]	Fuji Bank Y50	818	2.3	0.4	4.7	Dec June	1084

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	Week % change	Div	Cvr	Yld	P/E	Dividends Paid	City line
Ovoca Gold IR 2p	[illegible]							
Oxford Virology 5p	[illegible]							2712
Poddington 5p	776							3117
Ramsden's (Harry)	[illegible]		3.5	6.8	9.7		January	2011
Rentaminster 5p	32						Mar Oct	5228
Sempernova	15							1645
Sleepy Kids 5p	23		−4.2					5068
Swanyard Studios 1p	14							4666
Systems Connections	24							5341
Tomorrows Leisure 20p	65			2.2				4248
UPL Group 10p	29				22.5		Dec. July	4362
Unit Group	183		1.1	3.6	9.7		Jan Aug Oct	4357
Video Magic Leis. 1p	30		7.1	8.9	26.1		Jan July	5071
Vista Ents 5p	3							3994
Vizcaya Hldgs 5p	11							4195
Wilton Group 1p	24		−9.1					3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ∥ Price at time of suspension
- § Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	880	......	Carrol (P.J.)	185	16.7
Finlay Pkg. 5p	51	......	Hall (R. & H.)	165	......
Holt (Jos) 25p	1305	......	Helton Hldgs	53xd	−10.2

IRISH

Cap. 8½% Ln. 1991	£98	......	IRG	195	......
9pc Cap Ln. 1996	£92¼	0.5	United Drug	140	5.9
Fin. 13% 97/02	£109¾	......			
Arnotts	210	......			

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
[illegible]	[illegible]

Racal Elect.	29
RHM	[illegible]
Rank Org Ord.	70
Reed Intnl	38
STC	[illegible]
Sears	9
SmKl. Beecham A.	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
[illegible]	[illegible]

Property

[illegible]

Oils

[illegible]

Mines

Lonrho	31
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

FT Share Service

The following changes have been made to the Share Information Service:

Additions: Claremont (UK) (Section: Oil & Gas).

St. James' Place Capital (Trusts, Finance, Land).

Deletions: Broadwell Land (Property).

Citygrove (Property).

GR Holdings (Industrials).

Hambros Advanced Tech. Trust (Trusts, Finance, Land).

Peters (Michael) (Paper, Printing, Advertising).

Technology Project Services (Industrials).

Unilock (Industrials).

4pm prices August 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	15¼	AAR	.48	3.0	10	165	16	15¾	15⅞	+ ⅛
9¾	7¼	ACM n	1.01	13		311	8⅛	7⅞	8	+ ⅛
11⅞	9⅞	ACMIn	1.26	13.		302	9⅞	9¾	9¾	
9¾	7	ACM M n	1.01	14.		155	7¼	7	7¼	+ ⅛
12½	10	ACMMM	1.50	13.		167	11¾	11½	11⅝	– ⅛
11½	9⅛	ACM Sc	1.26	13.		591	9⅝	9½	9⅝	+ ⅛
9⅝	7¾	ACMSp	1.01	12.		x636	8¼	8⅛	8⅛	+ ⅛
5¾	1⅝	AM Intl				330	1⅞	1¾	1¾	
23⅛	7	AM In pf	2	22.		16	9¼	8¾	8¾	+ ½
107¼	43½	AMR			10	1467	45½	44¾	44¾	– ½
4¼	2⅛	ARX			9	8	2⅞	2⅞	2⅞	– ⅛
72¼	41⅛	ASA	3a	6.1		346	49⅞	49⅛	49½	– ⅜
45⅝	30⅜	AbtLab	s.84	2.1	19	2936	40¼	38⅞	40	– ⅛
11⅞	6	AcmeC	.40	6.3	8	30	6⅜	6¼	6⅜	+ ⅛
9⅞	6¾	AcmeE	.32	4.7	9	22	6⅞	6¾	6⅞	
49⅛	28⅞	Acusn			25	616	44⅜	44	44⅜	
16⅞	14⅛	AdaEx	2.06e	13.		188	15⅝	15½	15⅝	+ ⅛
15⅛	10	Adobe				85	11½	11⅛	11⅛	– ⅛
20¼	18	Adob pf	1.84	10		33	17⅞	d17¾	17⅞	– ⅛
11⅞	4⅞	AMD			22	2080	5⅜	5⅛	5⅜	+ ⅛
32⅜	23¼	AMD pf	3	13.		6	24	24	24	+ ¼
9¼	3⅛	Advest	.16	4.7	42	30	3⅜	3⅜	3⅜	
62½	43⅛	AetnLf	2.76	6.4	7	1390	43⅝	d43⅛	43¼	– ⅜
13¾	8¼	AfilPb	.24	2.7		195	9	8⅞	9	– ⅛
25	15⅝	Ahmans	.88	5.2	7	361	17	16⅞	17	– ⅛
3⅝	1⅞	Aileen			7	28	2⅜	2⅜	2⅜	
61	43	AirPrd	1.44	3.2	12	1070	45¼	45	45¼	
27	16⅜	AirFrt s	.30	1.5	11	242	20⅞	20½	20⅝	– ⅛
24⅛	13⅞	Airgas			36	35	15¼	15¼	15¼	– ¼
20¾	16½	Airlease	2.52	15.	8	46	17¼	17⅛	17¼	+ ⅛
10¼	9	AlaP dpf	.87	9.4		20	9¼	9¼	9¼	+ ⅛
103½	86	AlaP pf	9.44	10.		z30	94¼	d94¼	94¼	+ ½
91	84¼	AlaP pf	8.28	9.5		z100	87	87	87	+ 1⅛
29⅞	16	AlskAir	.20	1.2	9	207	17⅜	17¼	17⅜	– ⅜
22½	11⅞	Albanyin	.35	2.8	11	x185	12½	12⅜	12½	+ ⅜
27⅞	20	Alberto	s.20	.9	16	129	22⅛	21	22⅛	+ 1⅛

Continued on Page 31

NYSE COMPOSITE PRICES

12 Month High Low Stock Div. Yld. E P/ Sls 100s High Low Close Quote Prev. Close Ch'ge

Continued from previous Page

[illegible]

– X – Y – Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge
50	38½	Xerox	3	7.3	7	x1857	41¼	40⅝	41¼	+ ½
49	46½	Xerox pf4.13		9.0		z27	46	45¾	45¾	+ ½
38½	16½	XTRA	.72	4.0		76	18	17¾	18	+ ¼
26½	16¼	XTRA pf1.94		11.		38	17	17	17	– ¼
4	1¼	Zapata				961	1½	1¼	1½	
11	5	Zemex				56	6⅛	5½	5⅝	– ⅛
17¼	5¼	ZenithE				1907	5⅞	d 5½	5⅝	– ½
21½	13⅛	ZeniNt	.88	6.4	9	17	14	13¾	13¾	– ¼
9¼	4½	Zenlr	.90	17.		89	5½	5¼	5¼	
18½	10¼	Zero	.40	3.6	12	45	11⅛	11½	11½	– ½
51½	34⅞	Zurnin	.76	1.9	17	104	39⅝	38½	39⅝	+ ⅞
12⅝	10⅜	Zweig	1.21e	11.		229	10⅝	10⅝	10⅝	– ½
10	8⅞	ZweigTl	.98	11.		650	8⅞	8¾	8⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4pm prices August 31

Stock Div. P/ E Sls 100s High Low Close Chng

[illegible]

NASDAQ NATIONAL MARKET

4pm prices August 31

Stock Div. Sales 100s High Low Last Chng

[illegible]

– X – Y – Z –

Stock	Div.		Sales 100s	High	Low	Last	Chng
XL Dts		6	690	7¼	7¼	7¼	+ ⅛
XOMA			547	19	18¾	18½	– ¼
Xicor			339	2¼	1⅞	2	– ⅛
YankEnS	1.62e	18	498	20	19¼	19½	
YelowF	.82	49	1103	24⅝	24	24½	– ⅛
YorkRs		12	245	9¾	9¾	9¾	
ZionBc	1.44	7	9	25¼	25	25	– ¼

Travelling on business with Iberia?

Enjoy reading your complimentary copy of the *Financial Times* on scheduled flights from … **Madrid and Barcelona.**

FINANCIAL TIMES

WORLD ECONOMY

The Financial Times proposes to publish a Survey on the above on

24th September 1990

For a full editorial synopsis and advertisement details, please contact:

Louise Hunter

on 071-873 3238 or write to her at:

Number One, Southwark Bridge London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

MONDAY INTERVIEW

Down from the dour heights

Yitzhak Rabin, Israel's former Defence Minister, talks to **Hugh Carnegy**

You could say that when it comes to crises in the Middle East, Yitzhak Rabin has seen it all before. He was Chief of Staff during Israel's stunning victory in the 1967 Six Day War, Israel's ambassador in Washington during the Yom Kippur War of 1973, Prime Minister when Israeli forces rescued hostages from Entebbe in 1976.

Indeed, until a few months ago he was Defence Minister, conducting an often ruthless campaign against the Palestinian uprising – the intifada – that erupted against Israeli rule in the occupied West Bank and Gaza Strip in late 1987.

Sitting at his desk in Tel Aviv last week in a building almost enveloped in the sprawling Defence Ministry complex, it was easy to imagine he was still at the centre of events as he talked in his characteristic growl about the Gulf crisis. The impression was not dispelled by his habit of sprinkling his sometimes tortured sentences – Israelis say his Hebrew syntax is not much better – with liberal doses of the governmental "we."

Perhaps the chief tell-tale of his actual current status as an opposition Labour member of parliament was his relaxed, almost impish, mood, a contrast to the dour demeanour he tended to wear in high office. He can afford a more detached view of events for the time being – although, significantly, he is the only opposition figure to have been briefed privately on the Gulf crisis by Mr Moshe Arens, his successor as Defence Minister.

His view of the confrontation – that it is "first and foremost" an inter-Arab dispute that Israel should keep out of unless it is attacked by Baghdad – does not differ much from that of the Government. Indeed, he says that so far he has no quarrel with the way Mr Arens and Mr Yitzhak Shamir, the Prime Minister, have conducted themselves.

Mr Rabin compares Mr Saddam to the late President Nasser of Egypt, the great Arab nationalist whose ambitions threatened Israel but ended in defeat. "Let us not forget how Gamal Abdul Nasser ended and what kind of misery he brought on the Egyptian people and the Arab world. I hope the same will happen to Saddam Hussein." Meanwhile, Israel must remain militarily strong "for a long time."

Beneath this typical Israeli truculence, however, Mr Rabin does not profess the clear impatience within Mr Shamir's Government for the US-led forces in the Gulf to move quickly and decisively against Iraq. He does not doubt the seriousness of the threat a victorious President Saddam would pose to Israel. But he does not agree with Mr Arens that Mr Saddam must fall for Israel to be satisfied.

"We don't want – the people, the country – to be looked upon as the warmongers in the region. We understand the considerations of the moderates of Egypt, Saudi Arabia, even Syria and their re-allying against Saddam Hussein. We understand the limitations of the US in setting its goal, bearing in mind the US will have to bear the consequences of any fighting. We accept the US position, knowing that we are not in the middle of the crisis, but only at the beginning."

Mr Rabin also cautions that any military action to achieve the goals of ousting Iraqi forces from Kuwait and restoring the former government would have to encompass widespread engagements within Iraq itself and would require enormously careful preparation. It is easy to start a war, he says, but not so easy to control its outcome. "Many people tend to forget that more than 70 per cent of all wars in the 20th century have ended with the failure of those who actually initiated the fighting."

Instead, Mr Rabin can envisage an acceptable outcome which left the present Iraqi regime in power – assuming it met the UN demand for a withdrawal from Kuwait. A threat would remain, he acknowledges. But it would be offset by a "deeper realisation by most of the Arab countries of what Saddam Hussein represents," the drying up of foreign sources for his weapons programmes, a strengthened Iran as a balancing force and, possibly, a permanent international force stationed in the Gulf.

At this point, discussion moves into the difficult territory of what the "new Middle East" that will emerge from the Gulf crisis will look like, and what implications it will have for the Arab-Israeli conflict. Here it becomes clear that, whatever else may happen, Mr Rabin does not think Israel needs to alter its essential stance very much.

His argument is that a success in the Gulf for the US and its moderate Arab allies would open the way for a revival of the 1989 Israeli plan he fathered when Labour was still in government with Mr Shamir's Likud Party. This provided for elections in the West Bank and Gaza, a move to Palestinian autonomy and later a settlement in the occupied territories.

He thinks the discredit suffered by the Palestine Liberation Organisation because of its support for Mr Saddam will aid the process. "The PLO of Arafat lost tremendously not only in Israel but also in Egypt and in other countries. Once the PLO is reduced, the chances for moving ahead with the Palestinians in the territories will be improved no matter what they say openly."

But doesn't this view ignore the possibility that the US, frustrated by the repeated stallings of Mr Shamir on Israel's own plan, may take a different, tougher tack, especially if it owes favours to other Arab states with direct disputes with Israel such as Syria? Even before the Gulf crisis erupted there was some anxiety in Israel that the Bush administration might lean towards the idea of an international conference on Middle East peace, a proposal previously rejected by both Washington and Israel as bound to be biased against Israel.

Mr Rabin accepts that "no doubt" Washington will want to move on to deal with other conflicts in the region if it emerges successful from the Gulf conflict. He insists, however, that Washington should stick to the path established by the Camp David Accords of 1979, as the Israeli 1989 plan was designed to do: that after peace between Israel and Egypt, the next step should be the two-stage settlement of the Palestinian issue, bringing in Jordan at the second stage, and only after that should other conflicts such as that with Syria be tackled.

He is clearly unmoved by Arab – and western – frustration that in the 10 years since Camp David, Israel has done little to advance events with the Palestinians. "Any attempt to cope simultaneously with the whole complex of problems of the Arab-Israeli conflict will lead to an illusion of solution and will result in deadlock," he says firmly.

Underpinning Mr Rabin's thinking lies an essentially cautious assessment of the conditions likely to exist among Israel's neighbours, given the isolation of Iraq.

"The Syrians started to realise Saddam Hussein's ambitions earlier than any other country except Israel," he says with a warrior's respect for a canny enemy. This explains the move by Damascus into the US/moderate Arab camp, he says, but he doubts it implies a softer Syrian stance on Israel.

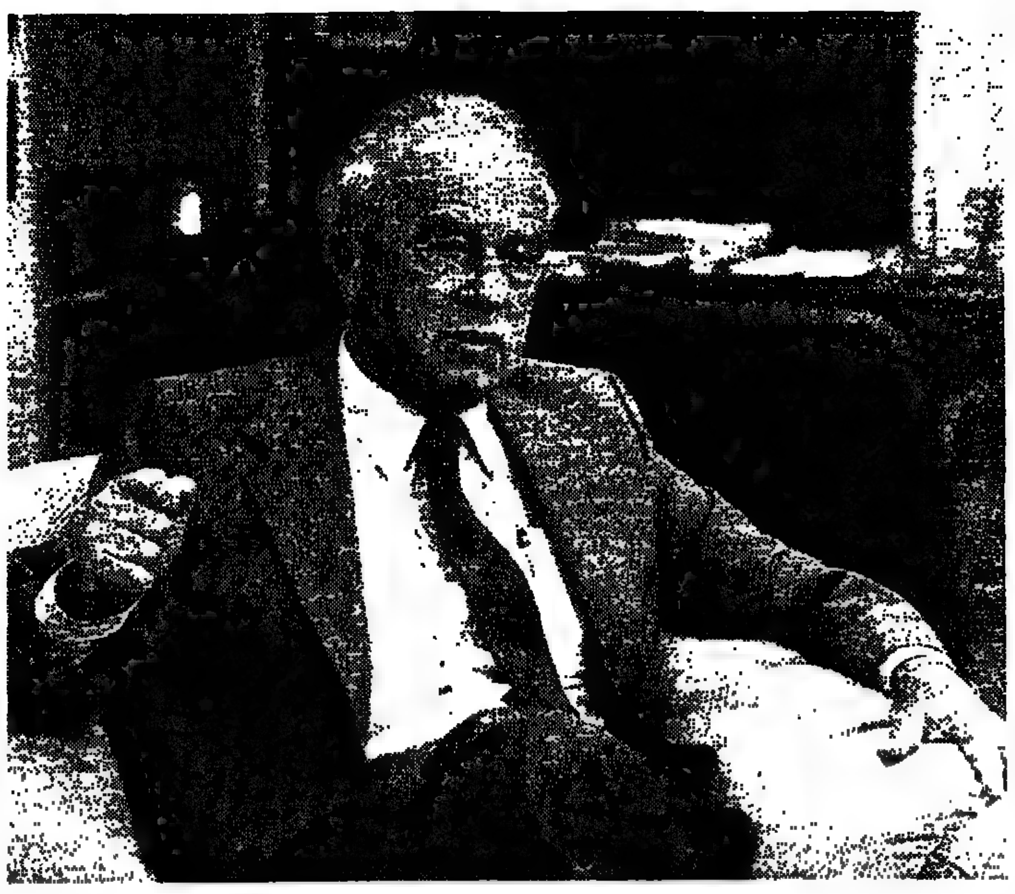
He contemptuously dismisses those rightwingers in Israel who would like to see the fall of King Hussein and a Palestinian state in Jordan. "I prefer to see Jordan remain an independent state and under the Hashemite regime. And I believe there are good chances that once Iraqi policy towards Kuwait is proved to be a complete failure and a setback for Iraq, Jordan will be different, under King Hussein."

Mr Rabin knows, however, that Israeli policy now lies in the hands of the Likud, many of whose members take a very different view of the issues, not least rejecting Labour's acceptance of the principle of trading land for peace. His approach may be outdated in the post-Gulf crisis Middle East. After all, Mr Shamir himself has made overtures towards Syria and has said clearly he wants wider Arab-Israeli rapprochement to proceed alongside any progress on the Palestinian issue.

That simply invites the international conference idea that Mr Shamir has so rigorously rejected, says Mr Rabin, "especially in the new circumstances that have been created as the result of the revival of the UN as the main instrument in dealing with the Iraq-Kuwait crisis."

As these issues evolve, the majority of Israelis who regularly place Mr Rabin at the top of political popularity polls may well regret that he is not playing a central part in them. Labour looks further from power than ever following its withdrawal from coalition with Likud in March – a decision Mr Rabin says is now exposed as a major mistake. Its best hope would seem to lie in some unheralded shift in Israeli opinion caused by a mixture of the present crisis and the domestic challenge of absorbing hundreds of thousands of Soviet Jewish immigrants.

Yitzhak Rabin's challenge to replace Mr Shimon Peres as party leader shortly after Labour stumbled into opposition was thwarted by Mr Peres's supporters, although a leadership contest is likely next year. Will Mr Rabin, now 68, be a candidate again? "The answer is very simple. Yes."



'Yes, I will be a leadership candidate again'

PERSONAL FILE

- **1922** Born in Jerusalem. Educated at the Agricultural School, Kraf Tabor.
- **1941** Fought in allied invasion of Syria.
- **1948** Fought in Israel's War of Independence. Joined Israel Defence Forces after establishment of state.
- **1964-68** IDF Chief of Staff.
- **1968-73** Israeli Ambassador to US.
- **1974-77** Labour Prime Minister.
- **1984-90** Minister of Defence.
- **1990** Labour member of Knesset.

The domestic pains of Labor Day

By Anthony Harris in Washington

Today is Labor Day in the US, which of course means that nobody works – apart from the retailers trying to clear summer stocks, and they will find it hard to fight the new caution of consumers, and the glorious weather. Nor is it easy to say what everyone else is celebrating. Trade union rights are claimed by fewer and fewer American workers; but that is not because they can do very well without such protection. On the contrary, the last few weeks have produced a more than usual number of examples of bad relations, US style.

Some are the direct result of the Gulf crisis (or golf crisis, as some wags are calling it). It is said that the country is solidly behind the President in facing Saddam Hussein, but that news seems to have escaped some employers. The families of some of Saddam's "guests," taken from their jobs to act as living targets, have found their incomes suddenly cut off at source: employees' salaries were stopped as soon as they were rounded up by the Iraqis. Reservists sent to the Gulf have had their health insurance suspended, and not all are sure that they will be able to reclaim the civilian jobs they have been forced to vacate.

These Scrooge-like practices are hard for a modern European to believe, but that attract only a little resigned comment here; American payroll workers seem to expect no better treatment. There was some local protest when Garfunkel's, a venerable Washington department store, closed leaving many workers (but not managers) unpaid for their final month: the only result was that some managerial money was given back.

Even goodwill seems quite inadequate to break bad habits. General Motors's management has been trying to improve relations as hard as it has being trying to improve its products. The cars are now better, and regaining some market share; but relations remain sour. The company has closed plants permanently rather than idling them, to honour the letter of an agreement to refrain from lay-offs; the plant with the largest number of labour-management committees has about the worst disputes record. Relations were not improved, either, when GM announced a huge rise in management pensions on the day it told the unions it could not afford to protect worker pensions against inflation.

It seems, then, that it takes more than Board decisions to break national habits; but now there is some hope that the threat of a recession – now recognised as a probability by a good half of financial forecasters – will do it.

GM is the "target" of this year's negotiations with the car workers' union, the UAW, which means that all other negotiations are postponed while the two sides try to hammer out an agreement for the 280,000 UAW workers at GM. The contentious issue is job security, understandably enough; but the UAW also recognises that the survival of the company is an issue.

So does management, in general; there is a growing recognition that the Japanese get a vital competitive edge out of constructive labour relations. If GM's new chairman, Robert Stempel, brings some of his European attitudes to the table, there could be something to celebrate on Labor Day 1991.

The 10 per cent fall on Wall Street last month may also help to concentrate management attention on the job. Few analysts now expect the great bull market to return for a long time, not on account of the Gulf crisis, but because of tight money world-wide.

A sick stock market seems to have few friends left in Washington; both the Administration and the Congress now seem to regard a half per cent tax on market transactions as a politically acceptable way to cut the deficit, although it would depress prices further. A Congressional report rubbishing President Bush's proposed capital gains tax cut has gone almost unnoticed: who has gains to tax? Meanwhile, the property recession has spread even to California. This has undermined the alternative hope of easy money.

Too many American executives in the Reagan years saw their jobs primarily as a way to enhance their credit ratings. Now the US private sector has embarked on a long, sober debt work-out and the product market is difficult. This is a Spartan way to improve performance, but in the long run it will probably work.

For Washington, however, this solution is a grave problem. The Reagan-Bush dream of growing out of deficit is just that – a dream. The reality is the President, the Secretary of State and the Secretary of the Treasury out with their begging bowls, seeking finance for the Gulf operation. The national debt has tripled since Mr Reagan first invited Americans to stand tall; they are stooping under the burden.

The Gulf crisis offers an opportunity to cut the knot. President Bush has a new prestige, and could readily lead the country to the solutions which everyone knows are necessary, starting with a swingeing energy tax. There is no sign of it yet, though. The great statesman shrinks like a circus illusion when he revisits the domestic scene, complaining about the Press, attacking the Democrats whose support he must win, retreating from any mention of specifics.

Even his supporters sigh. Mr Bush invites the comparisons he most most like to avoid – an honest Nixon, a Republican Carter, a giant on the world stage but inept and directionless at home.

Russia prepares for the longest five hundred days

Anatole Kaletsky on the Gorbachev-Yeltsin pact

The idea that the Soviet Union can be transformed into a capitalist economy in 500 days appears implausible, to put it mildly. The hope that this can be done without slashing living standards, creating mass unemployment and unleashing hyper-inflation seems simply fantastic. But these days, fantasies keep turning into realities in eastern Europe. So why not expect an economic miracle from Mr Boris Yeltsin, the Russian leader, to match the political miracles achieved by President Mikhail Gorbachev in the last five years?

Mr Yeltsin's 500 Days economic programme will probably be derided by western experts as both naïve and over-ambitious when it is spelt out in full at the end of this week. But in its own terms, it has a good chance of success.

The new economic policy may not raise statistically measured living standards nor accelerate the country's GNP growth rate. It will probably reduce productivity and will certainly decimate industrial investment. It may also damage the foreign trade balance and will probably turn the Soviet Union into the world's second biggest debtor, after the US. But all this will be beside the point if the new economic policy achieves its one central purpose: creating a market system that will reflect the wishes of consumers instead of the interests of bureaucrats and the dictates of an arbitrary central plan.

Even if investment collapses, output stagnates, and financial conditions degenerate into chaos, this market system will quickly start to reshape the economy. Instructions from consumers instead of bureaucrats, will start to reign supreme. And the experience of consumer sovereignty may, on its own, prove so liberating and novel to the Soviet people, that it will more than compensate for any statistical deterioration that may lie ahead.

To put the point more simply, it scarcely matters if the Soviet Union's GNP falls by 10 per cent next year if that 10 per cent consists of unwanted products which make a cruel mockery of the conventional term "goods." These worthless items would include not only such obvious "bads" as missiles and terrifying nuclear power stations, but also products which are considered "goods" in the western system of values but have no value for Soviet citizens, at least for the time being.

New steel mills and petrochemical works certainly fall into the latter category in a country which is not only literally choking on its heavy industries' pollution but also finds its transport system clogged by their unnecessary output.

In fact, deep cuts in industrial investment, as well as defence spending, have been deliberately made a cornerstone of the economic transformation. The Soviet Union is uniquely fortunate among the former communist countries in being able to make this choice without risking massive macroeconomic problems. The Czechoslovaks need to sell guns and machines to pay for oil and raw materials; the Russians do not. If the Soviet Union closed down its entire defence industry and went on paying the workers to do nothing it would be no worse off than it is today.

But cutting back on investment and defence are only two examples of a much broader approach which should allow the Soviet Union to make economic strides in the next few years, even if the danger of inflation, the shortage of foreign exchange and the difficulty of structural transformation continue to constrain its GNP growth.

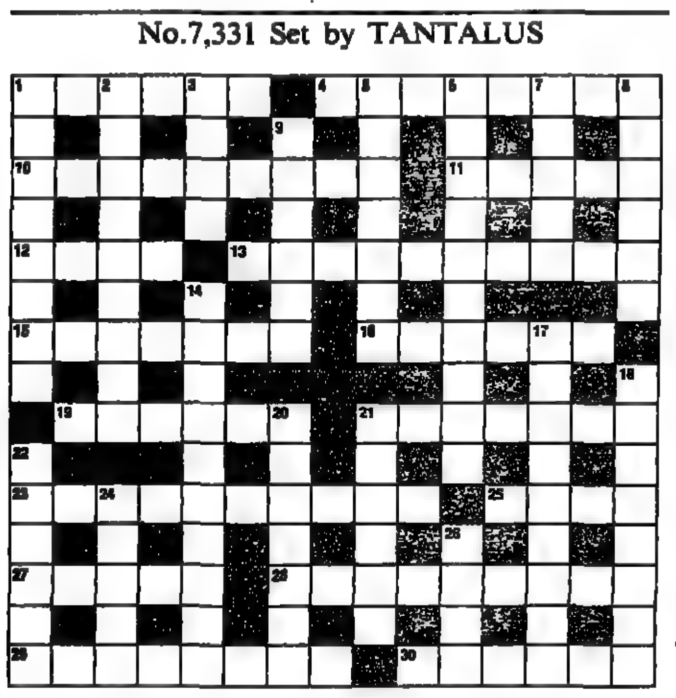
This brings us back to consumer sovereignty. The GNP will not immediately increase when the one type of toy truck with razor sharp edges is replaced by five better designed models. The GNP may actually decline when wholesale distribution becomes reliable enough to persuade Soviet consumers to stop hoarding sugar, flour, soap, tea and everything else they buy to absurd excess solely because it is "a deficit item."

There will certainly be no gain to measurable economic output when fast food restaurants stop smelling like public lavatories or when shop assistants start treating customers with common courtesy instead of swearing under their breath at anyone who has the temerity to ask to buy their wares.

Yet all of these changes will surely come, and come quickly, when the Soviet Union turns into a market economy. Inflation may rise and output may fall. But restaurants will open at night. Taxis will stop when hailed. Houses will be built and not abandoned half-finished. Washing machines and videos will suddenly appear in the shops, even if they are initially beyond the means of most customers. For 500 days at least, these things will be miracles enough for the Soviet people.

CROSSWORD

No.7,331 Set by TANTALUS



ACROSS

1 Underworld goddess could possibly teach English (6)
4 Many in place working for steward (8)
10 Steel part mixed with potassium nitrate (9)
11 Make suitable for a lawyer going to port (5)
12 Prayer leader starts in mosque at midday (4)
13 Friend and I with power tool produce rosewood (10)
15 Plant seen when eating out with bridge player (7)
16 Keeper – he suspects monkey is in here (6)
19 Mystery points to Magi movement (6)
21 Girl has a drink viewing cotton fabric (7)
23 Law violation at home by a few (10)
25 Leave out nothing with German (4)
27 Irishman takes in fashionable make-up (5)
28 Cocktail for a New Yorker? (9)
29 Rock may be older I note (8)
30 Allow licence (6)

DOWN

1 Warren in Sussex? (8)
2 Officer with gun has Irish dish (9)
3 Bureaucracy if this is read aloud! (4)
5 27 in this studio (7)
6 Two women provide an organ stop (10)
7 Quiet apprentice has help manufacturing cloth (5)
8 Former wife wrong to overcharge (6)
9 Way bad weather creates tension (6)
14 Call teacher – he's at the circus (10)
17 Final demand last month – I go to mother with little Mary! (9)
18 Number one vehicle brought up for French drill master (8)
20 Article dropped from tray (7)
21 This staff improving pitch? (6)
22 Lord entertains African warriors, that's clear (6)
24 Superfluous ornament makes father unwell (5)
26 Auction in Greater Manchester (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 15.

JOTTER PAD

PRICE WATERHOUSE
and the FINANCIAL TIMES CONFERENCE ORGANISATION
present:

CAPITAL MARKETS WORKSHOP

17-19 OCTOBER, 21-23 NOVEMBER, 5-7 DECEMBER 1990

This important 3-day workshop will benefit all those responsible for managing capital market activities or providing the vital support services.

A structured programme of intensive, practical training will build a thorough understanding of today's volatile markets, and the implications for operations, risk management and reporting.

Speakers will be drawn from Price Waterhouse's Capital Markets Group and a panel of key individuals from organisations involved in capital markets activities including:

Jonathan Britton, Finance Director, Swiss Bank Corporation London	Ariel Salama, Vice President, Global Risk Management, Bankers Trust International Ltd
Tony Cooper, Director, Treasury & Capital Markets, Trading Division, Hambros Bank Limited	Richard Kilsby, Senior Managing Director, Capital Markets, Charterhouse Bank Limited
Bob Fuller, Director, Capital Markets, Charterhouse Bank Limited	Richard Hines, Assistant Treasurer & Group Project Manager, Prudential Corporation plc

Price Waterhouse

FT FINANCIAL TIMES CONFERENCE ORGANISATION

To: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ Tel: 071 925 2323 Telex 27347 FTCONF G Fax: 071 925 2125

Please send me further details on the Capital Markets Workshop

NAME
POSITION
COMPANY
ADDRESS
POSTCODE COUNTRY
TEL TELEX FAX
TYPE OF BUSINESS

هكذا من الأصل

FINANCIAL TIMES SURVEY

INTERNATIONAL SETTLEMENT & CUSTODY

SECTION III

Monday September 3 1990

Improvements in international settlement efficiency lie just around the corner. Global custodians think they stand at a crossroads and are busily preparing for the changes which better settlement will bring, as **Andrew Freeman** explains.

Rethinking the package

THE DRIVE to improve international securities settlement has become an outstanding feature of financial markets in the late 1980s. Its importance has risen in parallel with concerns that efficient capital flows depend on the performance of settlement mechanisms around the world.

The rise to prominence of global custody has been inexorably linked to the rise in concerns over systemic risks in international securities trading. As efforts to improve the world's settlement infrastructure continue, the custody product is maturing, moving towards an information provision service.

This is a considerable change for a banking product which was largely unknown until a few years ago. Its role in administering the investments of pension funds and fund management companies has long been vital in enabling and encouraging cross-border capital flows.

Throughout the 1980s, banks, led by the large US commercial players, found it easy to persuade funds to pay them a fee for handling settlement, safekeeping and portfolio reporting as they ventured into new, risky markets. New entrants poured into the custody market. In London, for example, the number of custodian banks is said to have jumped from nine in 1988 to 22 a year later.

The weaknesses of the settlement mechanisms in many of the markets that became hot investment centres – Spain and Italy, for example – were seen as largely local difficulties until the impact of the October 1987 worldwide crash.

Then, senior figures in the banking and securities industry were heard to ask urgent questions about the back office. The Group of Thirty, an influential think-tank, became the focal point of international efforts to improve the standard of global settlement efficiency.

Its involvement was marked by a now familiar set of recommended features for an efficient market, published in March 1989.

Earlier this year, it held a follow-up symposium in London where 17 nations reported on their progress towards the implementation of the recommendations.

The reports were broadly encouraging. Complementary remarks were made about the extraordinary concentration by countries seeking to bring their infrastructure up to scratch. Hopes were raised that inter-market links and an improved network of securities depositories will ease back office delays.

But the delegates were forced to be realistic about the difference between intention and practice. The improvements sought in many markets cut right across existing methods of settlement and often threaten vested interests. The symposium was explicitly told that the hard work of implementation lies largely in the future.

Implications

Alongside the Group of Thirty, the International Society of Securities Administrators has expanded its role in encouraging settlement improvements by pulling together operations staff from around the world and trying to establish solid definitions for global custody and its related functions.

If the true extent of settlement improvements remains to be seen, there is no doubt that any changes for the better will have significant implications for custodians. The prospect of worldwide settlement efficiency threatens to alter the nature of custody as a service, placing the emphasis less on settlement reliability and much more on the accurate provision of portfolio information.

Mr Marshall Carter, head of Chase Manhattan's global custody business, says the underlying securities transaction is becoming the least problematic part of the service: "It's all the peripheral things, the tax reclaims, the dividends, the asset valuations, that take the time and effort."

He cites the example of the way dividend payments can bunch in a single market, creating an administrative challenge for the custodian – "one day last year, we received a dividend credit worth \$520m from our Japanese sub-custodian.

"Within 24 hours, we had to post the due funds to every client account," he says.

Until relatively recently, many custodians believed that efficiency would be limited to the world's main markets. However, the message from emerging markets, particularly in Asia, is that the lack of previous systems has been a net benefit, allowing the introduction from scratch of some impressive mechanisms.

Two custodian banks based on the West coast of the US – Bank of America and Security Pacific – are well positioned to monitor the progress made by markets like Taiwan and Malaysia as they try to establish technologically sophisticated settlement systems.

Mr Robert Darmanin of Bank of America recently toured the Asian markets and was profoundly impressed by the changes – "we are seeing whole capital markets being born," he says. "As a region, Asia is fast catching-up with Europe."

Taiwan has attempted one of the world's most ambitious book-entry systems, aiming to cater for institutional as well as retail investors. Like the UK, it has wrestled with the need for a dual market system. Unlike the UK, it is carrying out a unique experiment using a passbook system.

The idea is that a passbook in which all trades and positions are entered via a magnetic stripe will give small investors the sense of physical ownership they cherish. The hi-tech stripe allows the merging of an electronic system with a retail culture, vital in a market where retail business is still 80 per cent of turnover.

Taiwan's locally developed answer to the settlement challenge is still being tested before implementation. It found an unlikely partner in Malaysia. Anxious to claw back business in Malaysian equities from the Singapore exchange, Malaysian financial authorities travelled to Taiwan and bought its system with money from the government. Visitors say the two exchanges appear identical except for the staff.

Expansion

Security Pacific, through its Sequor group, is setting up a real-time information service in a series of regional offices in Asia to attract the business of large broker-dealers, expanding a facility it has run successfully in Tokyo. Mr Richard Pregiato, a managing director, says: "Where clearing is still physical, we need our own bricks and mortar."

From a wider perspective, it appears that the providers of custody services will have to adapt to a more efficient world. Profit margins will inevitably come under pressure as clients seek to lower their transaction costs.

That has led some of the leading custodian banks to consider new ways of growing their business. It seems increasingly likely that the number of large players will contract over the next decade, leaving a pool of banks offering private-labeling as well as direct custody.

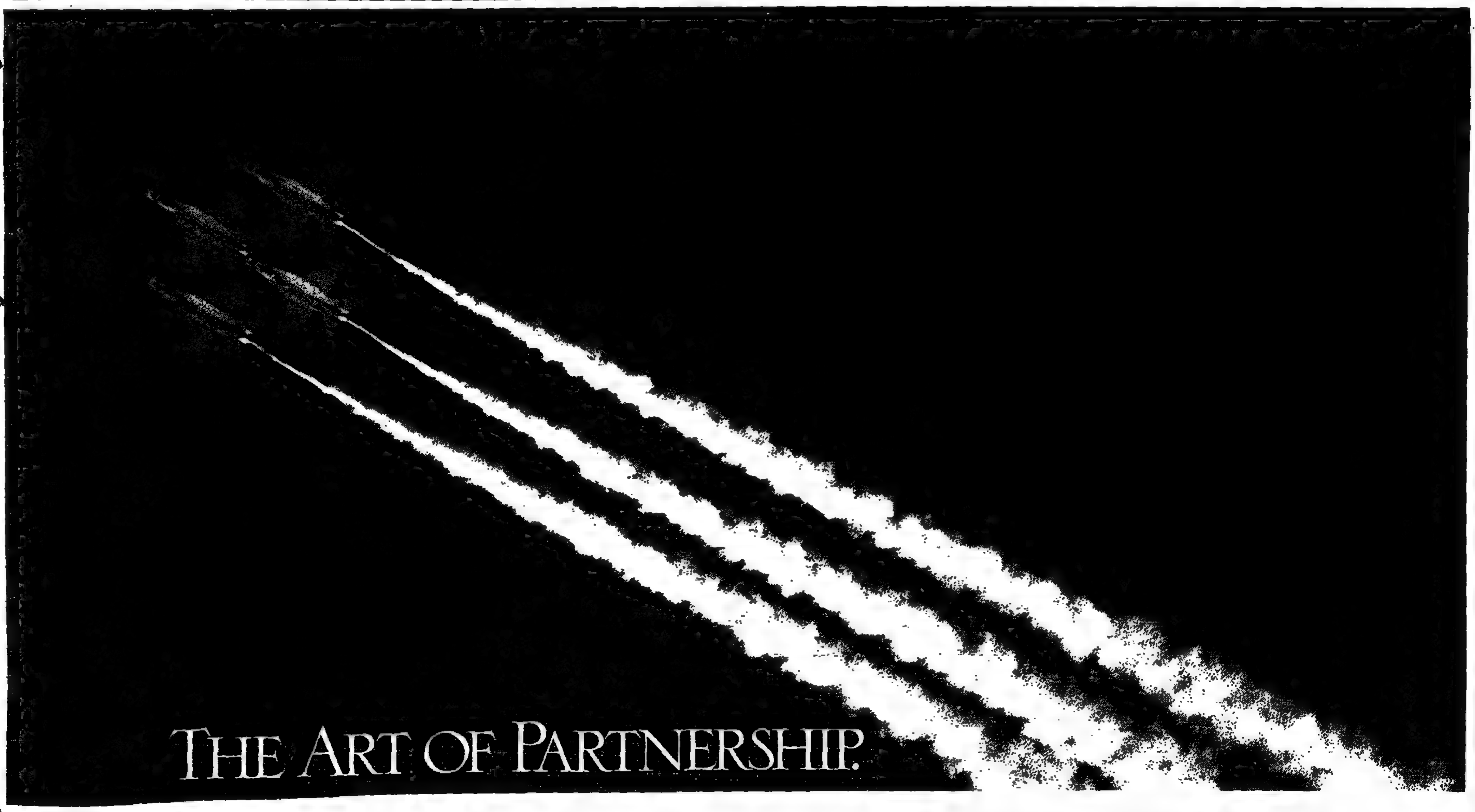
This will allow, for example, a UK fund management group to sub-contract its custody (traditionally offered free to clients and rolled in as part of general management charges) to a specialist, lose the back office overhead and concentrate on its investment skills.

This prospect was first mooted several years ago, but according to bankers has resurfaced, driven by the costs of running a back office. At least one US bank is actively developing what it describes as a third party processing business which will offer straight settlement services to companies without their end clients knowing about the arrangement.

The main difficulty with this service is the private client business typically held by many fund managers. Custodians say a multitude of small accounts can only be handled efficiently in an omnibus account.

IN THIS SURVEY

Swiss Bank House in London: see profile – a Thames-side strategy by the Swiss Bank Corporation, page 6.



AT BOSTON SAFE DEPOSIT AND TRUST COMPANY* WE HAVE A SINGLE GOAL. TO CREATE A LEVEL OF SERVICE AND INVOLVEMENT BEST DESCRIBED IN A SINGLE WORD:

PARTNERSHIP.

OUR STAFF OF GLOBAL CUSTODY PROFESSIONALS KNOW HOW TO MEET THE REQUIREMENTS DEMANDED BY EVEN THE LARGEST INSTITUTIONAL CLIENTS.

OUR SYSTEMS GIVE CLIENTS ON-LINE, REAL-TIME ACCESS TO THEIR PORTFOLIOS, WITH A COMPREHENSIVE RANGE OF DETAILED REPORTS WHICH CAN BE TAILORED TO A CLIENT'S INDIVIDUAL NEEDS.

WHICH IS WHY WE'VE EARNED OUR CLIENTS' RESPECT AND TRUST. AND WHY WE OFFER SOMETHING CLEARLY DIFFERENT:

THE ART OF PARTNERSHIP.

FOR INFORMATION CONTACT BRIAN J. COLLINGS, SENIOR MANAGER/GLOBAL CUSTODY, AT BOSTON SAFE DEPOSIT AND TRUST COMPANY, PRINCESS HOUSE, BUSH LANE, LONDON EC4R 0AN, OR TELEPHONE 071-623 0800.

IN THE U.S. CONTACT JOHN L. CARTY, DIRECTOR OF MARKETING/SECURITIES MANAGEMENT GROUP AT THE BOSTON COMPANY, ONE BOSTON PLACE, BOSTON, MA 02108, OR TELEPHONE (617) 722-7000.

THE BOSTON COMPANY
Boston Safe Deposit and Trust Company

GLOBAL CUSTODY SERVICES
Boston Safe Deposit and Trust Company

*Incorporated with limited liability in the Commonwealth of Massachusetts, U.S.A. ©1990 The Boston Company, Inc.

The stock-lending market has received a much-needed fillip

London is now expected to re-emerge as the centre

THE GROUP of Thirty's recognition that stock lending has a important role to play in the improvement of settlement gave the market a much-needed boost in the eyes of the regulators.

The G30's acceptance is particularly important for the international stock-lending market in the UK, because, since August 1989, both lenders and borrowers have been fighting to reform regulations that halted the development of a lucrative market.

The signs are that a workable solution will be reached by the end of September; and the banks, intermediaries and new entrants such as Robert Fleming are confident that London will be able to re-establish itself as the centre of international lending.

Stock lending typically involves an investment institution's lending stock to a marketmaker, who uses the stock to cover a short position or complete a failed trade. The borrower deposits collateral for the period of the loan and pays the lender a fee.

International stock lending involves the loan of securities held outside their domestic market. It developed in the early 1980s, when foreign securities houses imported the practice to Tokyo.

"You are not allowed to fail in Japan, so there is a strong demand to borrow stock," explains Mark Haas, at Lehman Brothers International, in London.

Since Japanese institutions were effectively barred from lending stock, the growing Japanese equity portfolios of UK and US institutional investors provided the source of stock. Mr Haas estimates that the value of non-dollar and non-sterling denominated stock currently on loan at between \$4bn and \$5bn. Others put the figure closer to \$6bn.

Now the importance of Yen denominated securities has begun to recede. The sharp fall in the Japanese equity market earlier this year and the decline in warrant arbitrage has reduced demand.

Richard Cordner, who runs the stock-lending program at Manufacturers Hanover Trust, in London, estimates that Japanese securities at present account for 40 per cent of international stock lending, compared with 75-80 per cent two years ago. The remaining 60 per cent is made up principally of German, French and Australian stock.

Market participants point to the development of the options markets in these countries as the key to the growth in demand. The growth in the supply of loanable stock reflects the high fees that these transactions can generate. It is also helped by the relative scarcity of institutions with foreign equity holdings large enough to participate, which has meant that the fees for stock in the more illiquid markets, such as Australia, can be equivalent to 3 per cent pa, compared with less than 1 per cent for UK stock.

The potential for profit has attracted a range of institutions eager to act as the market's intermediaries. The most obvious group are the global custodian banks, which, by pooling the assets of a group of clients, have enough international stock to make lending programmes viable. Custodians are now keen to promote the concept of international stock lending to their clients, putting forward the idea that a properly managed programme can be used to offset custody fees.

But many institutions remain sceptical about this benefit, pointing out that, where a custodian arranges and takes on the risk for a deal, it takes a cut (usually 40 per cent) of the fee.

The second group are international securities houses, such as Morgan Stanley, Lehman Brothers and Prudential-Bache. As Peter Demmer, of New York consultants Demmer Fleming, explains, there is an underlying tension between the two groups. The brokers generally have better access to the borrowers, while the custodians have closer ties with the lenders. "Each side is keen to play down its dependence on the other," he Demmer.

Something about which there is no disagreement in the market is the need for the reform of existing regulations governing international stock lending. In August 1989, in the Income Tax (Stock Lending) Regulations 1989 (SI 1299), the Inland Revenue defined all securities held by UK paying and collecting agents as UK securities; and UK securities can only be lent to authorised UK money brokers. The effect of the legislation was to lock up the vast pool of foreign securities held by UK institutions. A secondary effect has been to make institutional investors wary of publicising their involvement in the market.

Timothy Daily: the Revenue has been 'extremely helpful'

One of the results of the G30 report was the formation by the International Stock Exchange of the Stock Borrowing and Lending Committee. Its aim is to examine the needs of market participants in the context of the regulatory authorities and the development of Taurus, the paperless settlement system

One of the results of the G30 report was the formation by the International Stock Exchange of the Stock Borrowing and Lending Committee. Its aim is to examine the needs of market participants in the context of the regulatory authorities and the development of Taurus, the paperless settlement system. The SLBC has spent much of the past year unravelling the confusion caused by SI 1299.

Timothy Daily, chairman of the International Stock Lending Association, and a member of the SLBC, is confident that a solution to the problem will be reached by the end of September. He says that the Revenue has been "extremely helpful in attempting to improve the situation".

The exact nature of the solution has yet to be decided, and Mr Daily says there are number of possible ideas still being discussed. He is confident, however, that an announcement will be made before the end of September.

The most talked-about solution among the custodians and intermediaries, is that the SLBC will recommend that UK institutions be able to lend international stock to a pool of approved borrowers.

The pool idea should allow houses like Morgan Stanley, which run international stock lending operations but which do not have UK money broking licences, access to UK institutional assets. The market believes that the Revenue will favour this solution, because it will allow it to keep a check on the issuance of tax vouchers for the income of stock on loan – although, as Mr Cordner explains, the kinds of institutions large enough to participate in the international market are unlikely to attempt large scale tax frauds.

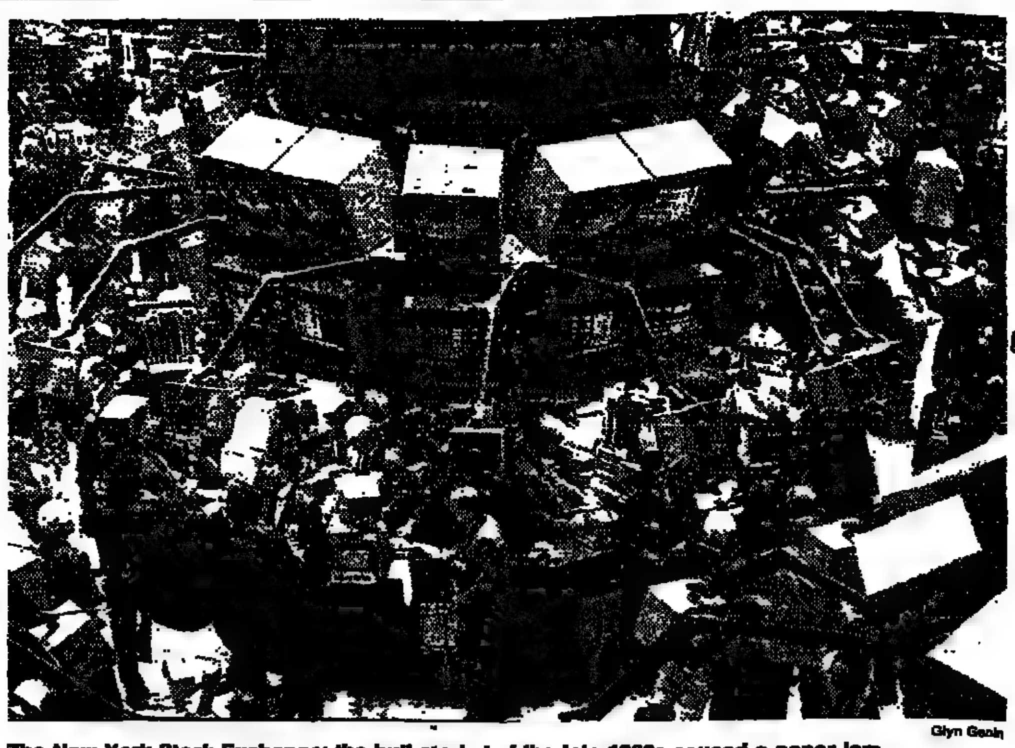
While the pool idea would certainly meet the aims of the regulators, many participants feel that it would be at best a compromise solution, imposing a UK regulatory framework on what is a global business.

Mr Cordner, for one, is concerned that this solution would pose difficulties for UK institutions using the automated lending systems run by Euroclear and Cedel, as well as those using the US stock-lending programmes run by banks such as Chase Manhattan in New York. As one custodian banker at a UK clearer noted: "International stock lending simply doesn't fit into national regulation."

There is also a sense of urgency among participants. The fees available to lenders are already beginning to fall. Two years ago, fees for the loan of Japanese stock were as high as 3 per cent; they are now in the range 1.5-to-2.5 per cent.

In the longer term, the movement towards dematerialisation and harmonised settlement procedures will make the process of lending easier, and therefore more attractive to the institutions, which should bring the fee levels down considerably. For that reason, institutions and intermediaries are keen to accept even a compromise solution if it means they can get back to lending soon.

Charles Harrington



The New York Stock Exchange: the bull market of the late 1960s caused a paper jam

Glyn Genin

In the US, **Desmond MacRae** explains . . .

How depositories raise efficiency

THE UNITED States is probably as close to meeting the Group of Thirty's nine recommendations on clearance and settlements as any of the world's major markets.

The key to market efficiency in the US is its depositories: the Depository Trust Company (DTC) and the Participants Trust Company (PTC). Both are incorporated as limited trust banks to confirm to US law. Both act as clearing houses by immobilising physical securities and by safekeeping and transferring ownership of corporate and municipal securities; and, in the case of PTC, Government National Mortgage Agencies instruments.

Both depositories also safekeep and clear dematerialised securities – that is, those which are originated and traded electronically and have certificates available for investors.

The Federal Reserve wires system, the largest depository in the world, handles US Government treasury bills, notes, bonds, and some agency securities. Treasury bills, which comprise some 80 per cent of this market, were "dematerialised" in 1974; the remainder in 1986.

The dematerialisation of the US treasury market has been so successful that it no longer rates much attention. DTC is a much more interesting story, because of the complexity of the instruments it handles, which range from simple fixed-income notes to complex stock warrants.

Founded in 1972, DTC new has \$4,000bn of securities in its vaults. In 1989, it cleared equities and corporate and municipal bonds worth \$9,200bn

Founded in 1972, DTC now has some \$4,000bn of securities in its vaults. In 1989, it cleared equities and corporate and municipal bonds worth \$9,200bn – 20 per cent more than in 1988. A comparison of these figures – which shows that DTC annually clears trading volumes greatly in excess of total US stockmarket capitalisation – testifies to its efficiency.

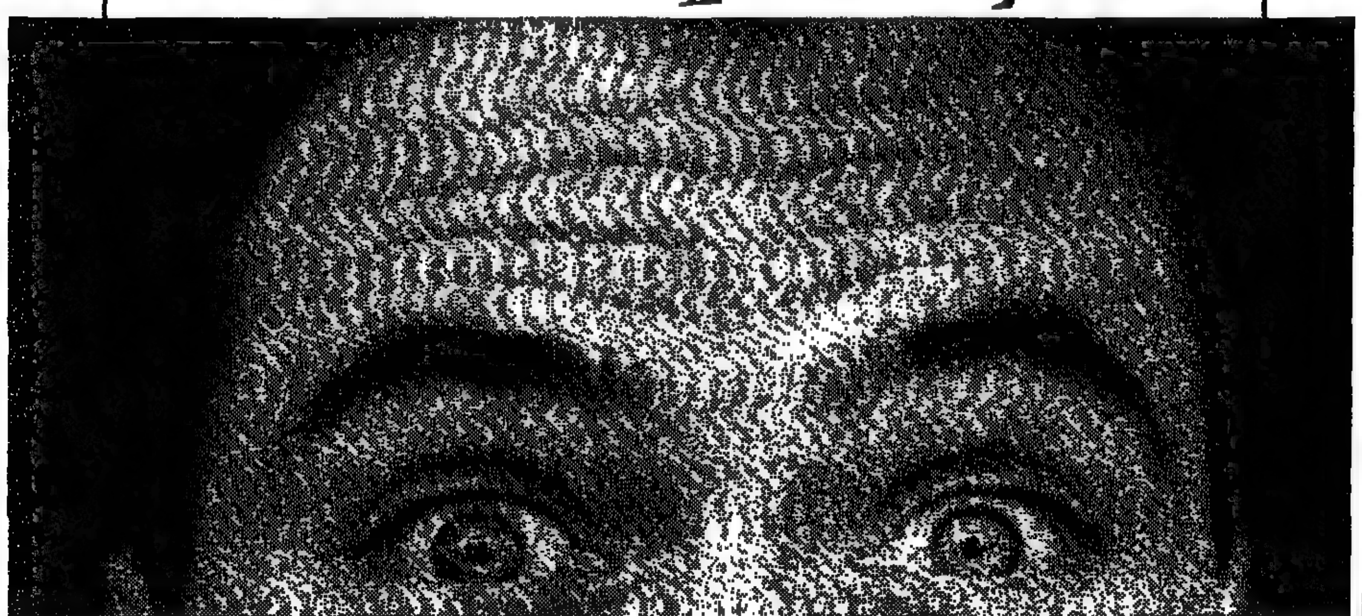
PTC, founded in 1989, is one-fifteenth the size of DTC, and is exclusively a depository for Government National Mortgage Agency (GNMA) instruments. GNMAs are pools of securitised mortgages grouped by coupon, guaranteed by the US Government, with monthly principal and interest payments.

Through immobilisation, DTC will continue to play a key role both in the eventual total dematerialisation of the US, and in US ability to conform to the Group of Thirty recommendations. More than 90 per cent of the US securities are deposited in these three clearing entities.

The chief hindrance to dematerialisation, or total electronic clearing, is individual buyers of municipal bonds – fixed-in

Continued on facing page

Our name won't surprise you



but our service will

LLOYDS BANK is a name that, we trust, you know. You may also be familiar with our long experience in providing Global Custody services to the UK investment community. In fact, if you are one of our many Global Custody customers, you need read no further. The high quality of our service will not be a surprise.

If, however, you are still doing your own custody or are dissatisfied with your current custodial arrangements, please read on.

Lloyds Bank Global Custody Services offer a comprehensive approach to international investment. In our experience, successful Global Custody is more than systems and service. It is a matter of recognising that caring attention is needed over the lifetime of every component of your portfolio, from initial investment decision through to divestment. No matter how distant your markets, Lloyds Bank can provide value.

In fact, Lloyds Bank staff regard attention to detail as the bottom line in all of our custody relationships. If you're diversifying your portfolio or looking for more from your custodian, why not talk to us? You too could benefit from the surprise element.

Lloyds Bank Global Custody Services

Please contact David Watson, Senior Manager
Telephone 0444 418120 (in the U.K.) or 44 444 418120 (international)

Lloyds Bank Plc, 71 Lombard Street, London, EC3P 3BS. A member of IMRO

This announcement appears as a matter of record only. August 1990.

Skandia Life

Skandia Life Assurance (Holdings) Limited

has selected

Bank of America

International Securities Services London

as Global Custodian for both

Skandia Life Assurance Company Limited

and

Professional Life Assurance Company Limited

Bank of America

Bank of America NT&SA

Profile: Brown Brothers Harriman

Sound relationships seen as the route to profits

BROWN BROTHERS Harriman is the only major private commercial bank operating in the US. A small bank, with some $1.2bn in deposits, and 33 partners, it offers very quietly, a full range of sophisticated commercial banking services - although not to everyone.

"We are very selective," says Douglas A.Donahue, the partner in charge of global custody.

Indeed, Mr Donahue reports that, in several years, he has turned down billions of dollars worth of assets in potential business. The principal reason is that Brown Brothers is the antithesis of the American norm of transactional banking. Believing firmly that sound relationships are the key to banking profits, it has eschewed growth for its own sake, and chosen clients whom it expects to get to know intimately and to be associated with for a very long time.

Founded in 1818 in Baltimore, the bank's main office is now in New York, with other offices in Boston and Philadelphia, as well as London, Paris, Zurich, Tokyo and Hong Kong. There is also a wholly-owned subsidiary, providing full banking services in Luxembourg.

This list gives a clear idea of the type of business the bank seeks. it has long been extremely active providing cross-border custody services for various kinds of assets.

Brown Brothers cares for more than $60bn in assets for non-US financial institutions, and for $35bn in non-domestic assets for registered US mutual funds and other US investors.

In soliciting new accounts to add to its present base of global custody clients, Brown Brothers emphasises high operating standards, a commitment to automation, and highly customised services. "The bank's strategy is to concentrate on providing the high quality of service to a limited number of large clients," says Mr Donahue, who runs global custody from Boston.

This strategic outlook is historically consistent, and emanates from what all of the partners believe is their traditional strength – concentration on corporate banking services, particularly foreign services, for selected corporate clients. This concentration allows the bank really to know them and to achieve a strength of service that "transcends size", as Mr Donahue puts it.

Throughout its 172 years, Brown Brothers has been active in international trade, offering an expertise in bills of trade, foreign exchange, letters of credit with Europe and the Far East. The bank's involvement in the cross-border custody business is a natural outgrowth from its early correspondent banking relationships, related to trade financing activities. Unlike many of its American competitors, it is not a relative newcomer to global clearance and settlements.

Among the 300 accounts, represented in $100bn under global custody, $35bn are non-domestic assets of such as: Fidelity Management & Research, Fidelity International, Merrill Lynch Asset Management, Scudder, Stevens & Clark, Pioneer Management, Putnam Management, Alliance Management, Prudential Capital Management, and Yamaichi Capital Management. Brown Brothers was recently selected as custodian by the $12bn Alaska Permanent Fund Corporation, in a competition that included 10 entrants.

Most global custodians now know they must provide service in three dimensions. Clearance and settlements are the first two, with problems greatly complicated when the third, multi-currency dimension is added.

In 1979, Brown Brothers was one of the first custodians to offer clients direct electronic interface with Depository Trust Company's (DTC) institutional delivery system. DTC is the chief entity responsible for the immobilisation (conversion to electronic trading) of US physical securities. This interface, now called BBH Information Display System (BIDS), greatly speeded dealing with domestic clearance and settlements. BIDS has since grown into a multi-currency global reporting system, delivering information around the world to a computer workstation or personal computer on a client's desk.

The strategy is to concentrate on client relationships with major international investors, and integrate their operations with the trading and accounting systems of clients

Brown Brothers does not offer master-trust services per se, but its rigorous standards and ability to customise services for each client provide all that is necessary to satisfy the stringent requirements of the US Employee Retirement Income Security Act of 1974, as is the case with its recently acquired client, the Alaska Permanent Fund.

The banks's global custody network is characterised by flexibility. It is able to co-ordinate and control a sub-custodian network in some 38 countries outside the US. It claims to be a US pioneer in providing international custody in emerging markets, and has provided custody for clients in countries such as Brazil, Indonesia, Korea, Mexico, the Philippines and Thailand.

Considerable effort has been expended perfecting automated, round-trip processing for routine trades. Round-trip processing means, simply, that client instructions come to Brown Brothers from a client's outside manager, go to the bank's computer editor, and then go out to the bank's sub-custodians. Settlements come back from the sub-custodians, go through the bank's record keeping systems, then go to the client. All of this is automated – that is, once instructions come from a client's manager, all processing of a trade takes place automatically.

Brown Brothers' strategy for marketing global custody is to be very selective in choosing clients. Having once taken them on, the bank provides a wide range of services to assist the client in doing whatever he needs to do. Rather than offer a service, with reasons why a client should buy it from Brown Brothers, the bank searches for clients who are established financial entities, who will grow, and who value dedicated, customised service.

The strategy is to concentrate on client relationships with major international investors, and integrate their operations with the trading and accounting systems of clients. Mr Donahue believes this is the way to provide cost-efficient global custody in the developed and more efficient markets, while allowing Brown Brothers to offer service in emerging markets at a competitive cost.

"Our ability and inclination to customise for the benefit of long-term clients is an essential part of our strategy in marketing global-custody services," says Mr Donahue.

In approaching Brown Brothers, a potential client can expect to be offered quiet, consistent and dependable service by one of the few banks in the US that have eschewed growth for its own sake. One is surprised to learn that some of the New York partners travel to work in downtown Manhattan on the subway – a demonstration of the no-nonsense practicality one does not always expect from a modern bank.

Desmond MacRae

FOR State Street Bank, a marketing strategy for global custody began in the 1960s, when the bank started to provide US custody services for European financial institutions. . . . By the late 1980s, all the pieces leading to the present state of global custody were in place

□

MASTER trusts continue to evolve, because Erisa continues to change and requires more complicated reporting all of the time

TWO MORE ARTICLES FROM THE US APPEAR ON THE NEXT PAGE

US approaches G30 standards

Continued from facing page

come instruments issued by the US state and local authorities. Because muni-bonds are exempt from US federal taxes, some 50 per cent of the $80bn are bought by well-to-do individuals, most of whom are over 40 and not yet comfortable with proof of ownership residing in a very few electronic blips.

"The paper crunch of the late 1960s was the catalyst for creating DTC," says William T.Dentzer Jr, who has been chief executive since its formation in 1972. Equity trading volume in the bull market of the late 1960s had jammed transfer agents' records. Because of the paper jam, record-keeping was erratic. An entire financial system, envied in many parts of the world for its ability to raise capital, was threatened.

In late 1970, the New York Stock Exchange entered an agreement to spin off its Central Certificate Service, the predecessor of DTC, with the American Stock Exchange, the National Association of Securities Dealers and the major New York city banks, represented by the New York Clearing House Association, into a separate entity.

DTC's mission was, and still is, to reduce costs for the 600 banks and brokers that often act for more than 3,000 other domestic and foreign banks, brokers and investment managers. DTC makes a profit but keeps only what it needs for operating income. It distributes the excess to participants at the end of each year.

DTC is charged to do the three things a clearing house often does: confirm trades; net transactions; and deliver against payment. Beginning with exchange-listed equities, DTC has moved steadily into unlisted equities, corporate bonds, and municipal bonds. On October 5, it will be the sole electronic depository for US commercial paper which, until now, has been a totally physical market.

Many custodians have direct computer links with DTC, which makes lending even more efficient. US custodians note that lending can sometimes pay for all portfolio custodial charges

Until 1989, DTC was thought to be exclusively a US domestic depository, but quietly it has been moving into clearing global securities. Sometimes criticised for moving too slowly, Mr Dentzer points out that globalisation of investment is relatively new in the US. He was not convinced that DTC could perform a useful function in London, for example, by opening a depository there.

"The British are establishing their own despository within the Taurus project, which we think is the proper way to do it," he says.

But DTC is becoming a primary US link in global clearance and settlements. Recent issues for Citibank ($1.4bn settled at June 6), Merrill Lynch and the World Bank will be settled simultaneously at DTC, Euroclear and Cedel, with DTC holding the certificates. These institutions will issue simultaneously in different currencies, to be settled in any country that has a local bank participating in Cedel or Euroclear, or in DTC in the US.

DTC also has the American Depositary shares of foreign issues sold in the US under institutional private placement rule 144A. DTC now has the first of such issues in Atlas Copco, a $41m Swedish American Depositary Receipt issue, the US tranche of class-B shares of an international issue. DTC how has six global issues, in excess of $3bn, from the World Bank, Citibank, and the First National Bank of Chicago, among others.

Mr Dentzer expects to see the international side of DTC's activity continue to grow. He also expects to see more securities issued as book entry only (electronic). "But," he says, "this may well happen more slowly than other observers are predicting."

In the 1970s, the US saw the growth of GNMAs that distribute both principal and interest monthly. Administrative complexities grew, as what is now a $590bn market grew. Founded in March 1989, Participants Trust Company (PTC) is owned by 16 banks and 12 broker-dealers, and is led by John J.Sceppa, whose 15 years with Irving Trust Company, followed by 10 years with Salomon Brothers gives him an ideal background.

An important by-product of depositories is the US has been ease in securities lending, a common practice that has a compelling economic rationale.

"In the US, domestic securities lending programs permit custodial customers to earn additional income on their portfolios with minimal risk and involvement," says Robert Tetenbaum, a leading financial services consultant with First Manhattan Consulting Group, New York.

Many custodians have direct computer links with DTC, which makes lending even more efficient. US custodians note that lending can sometimes pay for all portfolio custodial charges, and even earn lenders extra profits. They report that offering lending as part of a package of domestic securities services is frequently critical to winning an account.

US depositories have achieved efficient immobilisation, and in some cases dematerialisation. "Many members of the Group of Thirty's various national working parties believe that, because of the efficiencies they offer in clearing and settlements, US depositories, particularly DTC, are suitable models for other countries," says Mr Tetenbaum.

Indeed, these depositories are why the US is very close to conforming fully with the Group of Thirty's March 1989 recommendations for speeding global clearance and settlements.

National stockmarket capitalisations

Capital value ($bn): end 1989*

Japan	4,251
US	3,029
UK	822
West Germany	354
France	340
Canada	291
Taiwan†	250
Australia	203
Switzerland	171
Italy	170
The Netherlands	158
South Korea	141
Spain	123
Sweden	120
Hong Kong	79
TOTAL	10,502

*1989 year-end approximations. The capitalisation of any specific country's stock exchanges, and thus national totals and rankings, will change because of domestic market cycles and currency fluctuations.

†March 1990.

Source: Birinyi Associates, NY

Venture Capital and Europe

The Investors Chronicle issue of October 19th will provide a comprehensive update on the provision of equity capital, mezzanine financing, MBO funding and other forms of Venture Capital investment both here in the UK and across the rest of Europe.

Advertising details and Editorial Synopsis may be obtained from:
ALAN CUNNINGHAM
GREYSTOKE PLACE.
FETTER LANE
LONDON EC4A 1ND
TELEPHONE 071-405 6969
FACSIMILE 071-242 9427

INVESTORS CHRONICLE

Agway Inc.
Allied Dunbar
Amoco Corp.
ARMCO Inc.
AT & T
Britannic Assurance plc
Bull Worldwide Information Systems
Capital Trust Co.
Colgate Palmolive
Collegiate Retirement Equities Fund
Commercial Union Assurance
Dean Witter Reynolds, Inc.
DFA Inc.
Eagle Star
Equity & Law
Fidelity International
Ford of Britain Pension Funds
Fuji International Finance (London) Ltd. Portfolio Management Division
General Dynamics Corp.
Guardian Royal Exchange Asset Management Ltd.
The John A. Hartford Foundation
HD International
Henderson Unit Trust Management Limited
Hill Samuel Unit Trust Managers Limited
Honeywell
Honeywell, Inc.
The Kemper Group
LACERA
London and Manchester
McKnight Foundation
NM Unit Trust Managers Limited
Prolific Financial Management
The Prudential Insurance
Royal Life Holdings
Schering Plough Corp.
Schroder Capital Funds, Incorporated
Scottish Equitable Life Assurance Society
Shell Pensions Trust Limited.
Sun Life
The Templeton Funds
Tennessee Consolidated Retirement System
The Upjohn Company

Some of the long-standing reasons why we're the world's leading Global Custodian.

Sun Alliance
Standard Life

And two new ones.

Our appointment as Global Custodians for the overseas assets of the Standard Life and Sun Alliance insurance groups has a particular significance for us.

Not only because we've added these two blue chip names to our already unrivalled client list.

But because this makes us the first Global Custodian with over more than $100 billion in assets under custody.

It's the best indication of how highly the marketplace regards our skills and of our leadership in Global Custody.

And it's another good reason why anyone who uses global securities services should consider Chase.

Issued by The Chase Manhattan Bank, N.A., a member of T.S.A.

CHASE

Profile: State Street

A multi-regional approach

STATE STREET Bank and Trust Company, Boston, is a strong bank. With some $10bn in assets, it returned 18.7 per cent on equity in 1989 – the eighth year in a row that this figure exceeded 18 per cent.

One of the main reasons for such performance is that 50 per cent of the $676m earned in 1989 came from fees earned in processing securities trades.

In a world where most banks are scrambling to meet the accelerating schedule of Basle risk-weighted capital requirements, which will culminate in each bank needing 8 per cent core capital by the end of 1992, State Street already had core capital of 11.8 per cent by its 1989 year end.

This money came from retaining 14 per cent or more of its annual earnings over the last several years – earning made possible in great part by rendering financial services.

Officers of the bank say repeatedly: "If we don't provide superior clearing and settlements, we don't make it."

Founded in 1792, State Street became, in 1924, the custodian for the first US mutual fund. Finding this profitable, the bank gradually moved into a specialty niche. Today, its *raison d'être* is custody and safekeeping. State Street has more than $835bn under custody, some $50bn of which is in global custody.

In addition, the bank is a leading US manager of index funds, which "replicate" various measurement indices. Investing in replication funds guarantees portfolio managers standard average returns, which can increase the precision of actuarial portfolio performance expectations. If, for example, the Standard & Poor's index of 500 active stocks (S&P500) returned 16.54 per cent in a given year, an S&P500 index fund would have yielded the same return.

Growth of global custody assets in the US comes from recognition by US institutional fund managers that the Europe Australia & Far East index (EAFE) has regularly produced some 22 per cent annually in the recent past. The standard for institutional equity measurement of US shares is the S&P500, which has yielded some 16 per cent. Coupled with academic studies showing lower EAFE volatility, because of broadened diversification, some 8 per cent of US institutional assets are now in non-US securities.

It is widely expected this growth will continue until US asset diversification internationally reaches the UK norm, somewhere between 20 per cent and 30 per cent. Given that the US has some 30 per cent of the stockmarket capitalisation of the world's top 15 countries, 20 per cent of US equity capital, or some $600bn will go abroad. This figure takes neither fixed-income (perhaps $600-$800 bn more) nor asset growth (15 per cent per annum compounded doubles in five years) into account. It is no wonder that US custodians are scouring the world for clients, nor that State Street, a leading custodian, is among them.

A marketing strategy began in the 1960s, when the bank started to provide US custody services for European financial institutions

For State Street, a marketing strategy for global custody began in the 1960s, when the bank started to provide US custody services for European financial institutions.

"We began to seek European clients actively," says William E.Gundy, executive vice president and head of global custody. In 1974, the US Congress enacted the Employee Retirement Income Security Act (Erisa). In essence, this meant that pension plan sponsors had to provide uniform, and stringent, accounting of their activities. Banks saw an opportunity to provide a new service.

State Street is now one of five leading US banks in the US master-trust business that grew up because of Erisa. While the other four – Bankers Trust, Chase Manhattan, Mellon and the Northern Trust – are much larger as measured by assets, they each admit freely that, in the master-trust and custody arena, State Street is a respected rival, both is the size of its assets in custody and the strength of services offered.

By the late 1980s, all the pieces leading to the present state of global custody were in place. Then came acknowledgement of the need to integrate these pieces. "I think it was in the late 1980s that the message about the need to expand our services globally began to be repetitively impressed on us," says Mr Gundy. Because the bank was already heavily involved in most specialised financial services, the step to perfecting and offering global custody as a product was easy to imagine.

Unlike other US custodians, State Street is taking a multi-regional approach, and it not centralising its operations. Anticipating that increasing numbers of large organisations will be looking for international services regionally, Mr Gundy sees the development of a multiple region relationship.

He points out that multi-national corporations have different investment plans in different geographic regions. While they want accounting consolidation in the home office, he believes they prefer to leave the service capabilities in local time zones, so to speak.

A strategic influence is the master-trust format. Like its other American master-trust competitors, State Street already has a total accounting system. By making this available globally, Mr Gundy expects the bank can adapt the master-trust format for customers who now need only parts of it. Master-trust services include performance measurement and securities lending, which Mr Gundy believes will shortly be *sine qua non* for global custodians.

Gundy acknowledges the need to have systems that operate consistently in all three of the world's regions, but that are adaptable to unique requirements of a given region. State Street has multi-currency securities and cash movement and control systems already in place. A good example of modification is a unique capital gains tax in Australia, which needs accounting treatment not required in any other of the world's markets.

State Street is proceeding strategically in two levels. The first dictates that long-term opportunity lies in the master-trust sort of services, stringent accounting, securities lending, cash management, performance measurement – in short, the full service approach that has been successful and in the US master-trust market.

The other level of strategy recognises that some markets today do not accept the master-trust approach fully. It may be some time before they do. In leading the horse to a trough of full global-custody service, State Street does not expect every horse will drink his fill immediately.

Behind of all these efforts is the recognition that, as global custodial services become more efficient, fees will fall.

The question of critical mass, the size of custody assets needed to support running costs, product developments and maintain net profits weighs heavily on all global custodians. At presently, critical mass is perhaps $20bn in assets. State Street is currently very comfortable. But some American custodians are beginning say that $100bn in assets will be needed in the next few years.

One way to increase asset size is to offer private labeling – providing global-custody services anonymously to regional custodial institutions or broker-dealers, who want to appear as international institutions to their present clientele or customer base, but who cannot spend the $25m present estimates indicate are needed to build a global-custody network. Private labeling is an important part of State Street's strategy for survival.

Offering products or sub-products that are seamless, that move from market to market and region to region effortlessly, is State Street's ideal. The bank's strategy is to have its custody services appeal equally to a global investment mutual fund and a large city teachers' retirement fund, at whatever level of service each might require. In soliciting either, State Street is very serious. As Mr Gundy says with some frequency, "It is not unusual for our chairman to call on key prospects."

Desmond MacRae

Master trusts

Revived by retirement

LIKE IBSEN's "Master Builder", the name master trust is inherently appealing. But just as Ibsen's architect bespoke competence and control on the surface yet presented different facets to different people, the phrase "master trust" has several meanings.

Whatever its operative definition in the eye of each beholder, a master trust is an efficient instrument that is being used by US global custodians to increase global assets in their care.

In the US, where it originated, a master trust combines data from a set of portfolios into regular consolidated reports and consistently measured evaluations. Ideally, a master trustee has control of all portfolio data, can make any information on any part available at any time, and can prepare any idiosyncratic report or detailed audit an investor, such as a pension-plan sponsor might need for himself or any regulatory authority.

Master trust is a bank product. An estimated $2,700bn in master-trust assets, comprising virtually all of the pensions in US. "Its origins reach back some 50 years, when International Harvester pooled two of its retirement plans," says Jeremiah O'Leary, senior vice president and head of master trust for Chemical Bank.

This pooling fit the intentions of large US corporations, which usually had a single manager-custodian. By the mid-1960s, US commercial banks had captured some 70 per cent of this business.

But in 1967, articles about the performances of independent, non-bank advisers appeared. One Harvard Business School case study was particularly influential in providing a rationale for using daring investment managers, who were riding the very strong bull market of the late 1960s. Banks were edged out of investment management, as pension-plan sponsors began to hire independent "gunslingers" like Gerald Tsai to manage pension portfolios.

To salvage something, many banks fell back on portfolio record-keeping, which was being complicated by the use of multiple managers. Investment managers came to be separated from custodians, who were being called directed trustees.

Intuitively, this made eminent legal and auditing sense. In the early 1970s, the practice of using trustee custodians grew, and was made formal with enactment of Employee Retirement Income Security Act (Erisa) in 1974, which set a uniform funding and reporting standards for aggregate pension plans.

Banks, who were already custodians for directed trusts, quickly acted to satisfy Erisa requirements. Master trusts appeared and continue to evolve, because Erisa continues to change and requires more complicated reporting all of the time.

"Reporting is very complicated," says Kathryn S. Pruim, a vice president in master trust with Manufacturers Hanover Trust Company, New York. She offers samples of quarterly reports for a specimen $350m portfolio: 88 pages of a certified investment summary report; 18 pages of a management summary report; and 34 pages of performance analysis. In their constant search for value to add to an existing service, banks, those would-be alchemists of finance, continue to "enhance" the master-trust product.

"In short," says Allan Martin, senior vice president and head of global custody for Bankers Trust Company in New York, "master trust evolved from being a specific service to offering a menu of services."

Alan Martin: 'a menu'

In the UK, where the functions of trustee and custodian are often separated, the term master custody is used more commonly. Both terms now mean all-in reporting of all portfolio activity and performance measurement.

By the late 1970s and 1980s, virtually all major US pension funds had single master trustees, but retained multiple managers. Reasons for using a master trust format are simple: their comparative experience shows it saves considerable time and money.

Two final elements have been incorporated recently in the master trust product. One is the proliferation of unique investment instruments. In the realm of securitisations, there are the examples of CARDS and CARS; in bonds there are CATS and TIGRS; in currencies, there are look-back options and collars; and in equities, there are killer warrants. Master trustees or custodians must know all the instruments.

"The other element is time," says Thomas Kimen, a senior vice president in master trust marketing with The Northern Trust, Chicago. Master-trust clients, like custodial clients, want information faster than ever before. They also want it in more usable forms, sometimes one that is unique to them.

Mr Kimen says that the speed with which custodians are now able to report is a paramount factor in offering the master trust product successfully.

The Northern Trust, with some 300 master-trust clients, is one of the leading banks in this business. Some 200 of clients are electronically tied to the bank. Mr Kimen recalls replacing a client's four securities systems – accounting, control, performance and auditing – with one master system.

This enabled the client to make a securities entry once instead of four times. Like having to copy an important telephone number needed for inter-office distribution once instead of four times, savings in time and money were, at first, hard to quantify, but the client noticed the accuracy of the systems consolidation immediately.

Translating the master-trust format to a global environment simply means addition of multiple currencies, multiple markets, and multiple sets of regulations. Conceptually, it is simple. In execution, it can be complex.

Because banks are the most regulated of businesses in the US, their fiduciary experience gives them a leg up. All through the de-coupling and unbundling of brokerage commissions and custodial fees in the US during the 1970s float, the interest earned by custodians on uninvested cash balances in pension funds was huge. Float existed simply because US asset managers were not very sophisticated. But higher interest rates in the 1970s taught US companies to be more careful about float.

At the time Erisa was passed, exactly 16 years ago, US banks began to offer cash management sweeps and securities lending. By the early 1980s, pensions funds had caught on, so master trustees competed ever more fiercely to see who could make assets work hardest for their owners. The master-trust format changed from an administrative convenience to what it is today, a generic vehicle for adding value to a portfolio by increasing the efficiencies of its management.

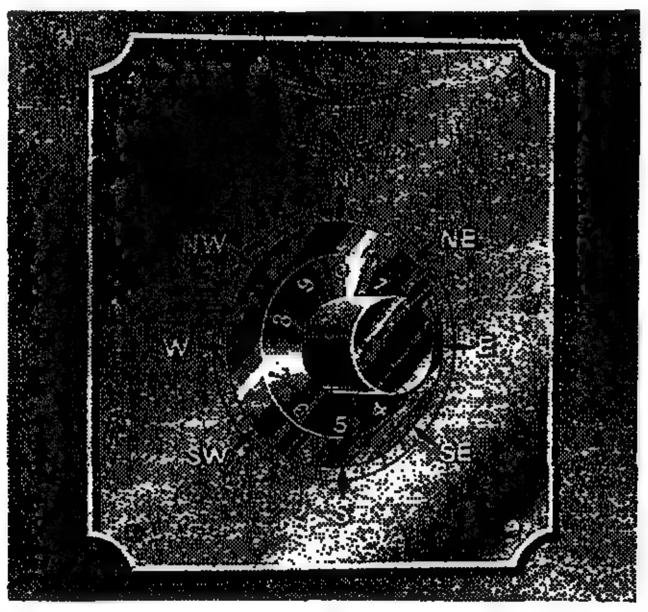
"We are now in the era of the master trust as an investment control system that helps the plan sponsor financially engineer the kinds of risk return trade-offs he wants in a world where he has hired specialist money managers independently to effect those results," says Mr Martin. Because of the high level of reporting standards Erisa imposes, US custodians believe it is very simple to say to the rest of the world that they are ready assist any institution in "engineering" superior portfolio performance.

US global custodians see master trust as a vehicle for expanding their asset bases. An example of the master trust/global custody synergy is Chemical Bank, which was recently appointed as the master custodian for the $23bn Teacher Retirement System of Texas.

One of the top five state pension funds in the US, it can be assumed that if this fund follows the present US investment trend toward global diversification, Chemical will, in time, see between $4bn and $6bn invested globally.

Desmond MacRae

OUR PROVEN ANGLO-JAPANESE APPROACH TO GLOBAL CUSTODY WILL MAKE ALL THE DIFFERENCE IN THE WORLD



As the Flagship European Banking arm of the US $40 bn Daiwa Securities Company of Japan our approach to Global Custody Services is unique. It is based on many years of critical hands-on experience in the securities business, meeting the demanding levels of expertise and personal attention traditionally expected by all Daiwa's customers.

Our Anglo-Japanese Management ensures that total commitment is combined with absolute flexibility. This is backed up by our fully integrated multi-currency cash and securities processing system.

The speed, accuracy and detail of our reporting comes from an in-depth knowledge of customer requirements and portfolio characteristics. Every customer is different, we have no "standard" package. That is why we assign you a Personal Securities Administrator to monitor and control every aspect of your portfolio and your individual servicing needs.

Earlier this year, we further broadened our horizons by opening a branch in Dublin, dedicated to servicing the special Global Custody and associated needs of offshore funds.

With our International network of Daiwa Offices and a wider sub-network worldwide, Daiwa Europe Bank is your truly global East-meets-West alternative choice.

To gain the benefits of service levels which exceed your expectations, opt for our Anglo-Japanese solution to your Global Custodian requirements.

Contact Martin R. Bilham or Nobuyoshi Tomochi in London – Masana Takasaki or Karl McEneff in Dublin.

和 DAIWA

DAIWA EUROPE BANK plc

Global Custody Services combining the best of both worlds

City Tower, 40 Basinghall Street, London EC2V 5DE, United Kingdom. Tel: 071-315 3900 Tlx: 920902/3 Fax: 071-782 0876
Harcourt Centre, Harcourt Road, Dublin 2, Eire. Tel: (00) 01-783700 Tlx: 91914 Fax: (00) 01-783469

In global custody, investors who demand efficient securities settlement turn to one firm for local or worldwide clearing and custody services.

JPMorgan

©1990 J P Morgan & Co. Incorporated

هكذا من الأصل

هكذا من الاصل

Profile: Morgan Stanley (MSGSS)

Doubts dispelled

MORGAN Stanley's entry into the global custody business in 1987 was greeted with scepticism by its competitors.

The business was, and is, dominated by the US money-centre banks and the UK clearers, who view it as a natural extension of trust banking and international payment activity.

The success of Morgan Stanley has done much to dispel the validity of this theory, and, although it has recently tempered its philosophy, it has established systems technology as the dominant factor in the success of a global custodian.

In late 1987, the management of the newly-formed Morgan Stanley Global Securities Services (MSGSS) set out its initial strategy. The key element was to target areas of business that existing custody providers were either not serving or not serving well.

One such area was the administration of international index portfolios. MSGSS had the added advantage that its parent company owns the Morgan Stanley Capital International Index, the main US benchmark for international investment.

Alan Trager, president of MSGSS, explains that he saw a gap in the market. At that time, few custodians had experience in dealing with large portfolio trades that are required to restructure a fund tracking an index. The initial emphasis on international indexation also meant that the firm had to be able to process large amounts of data cheaply and effectively.

In keeping with the strategy, Morgan's first client was Wells Fargo Investment Advisers. Although Wells is the world's largest index fund manager, the majority of funds at that time were in US equities. The relative inexperience of both the client and the custodian in the international fund sector was a severe test for Morgan Stanely's systems and staff. Alan Trager, president of MSGSS, comments: "We felt that if we could satisfy that client then we would establish our credibility."

The approach worked. By being able to satisfy the high-service and low-cost requirements of the indexer, Morgan Stanley was able to command the attention of consultants and fund administrators. As a result, the operation has grown rapidly, moving from no assets under custody in 1987 to more than $15bn by August this year. More remarkable still, for a start-up operation, is the quality of the client list, which includes the Prudential Insurance Company in the US and Henderson Administration in the UK.

The reputation of the parent company, while not enough to win custody business, certainly meant that its sales pitch was listened to. A UK client explains that the relationship his firm had built up with Morgan Stanley in securities trading was a positive factor in the choice of Morgan as a global custodian.

Most of its clients seem to have accepted the fact that custody was a natural evolution from the firm's experience in international securities dealing. Cynics might add that the contraction of the securities

Technological strength has aided success

markets after the 1987 crash made the fee-based income of global custody an essential prop to an investment bank.

Another advantage was that Morgan Stanley managed to transfer the responsive image of an investment bank to global custody. The operations manager at a US client makes the point that his institution was impressed by the fact that Morgan was a dynamic operation, compared with the more bureaucratic culture of the commercial banks. Vivienne Lee, senior manager at Henderson Administration, makes the point that her institution has been able to the get the changes that they have asked for from the custodian.

The key selling point of the operation has been its technological strength. Clients key in the trade information once. It is then fed, via the link with Morgan Stanley Trust in New Jersey, to the London office, where it is checked and then sent on for processing.

The use of direct mainframe-to-mainframe links between the client and custodian means that the client has a confirmation the following day. Vivienne Lee contrasts this with the Royal Bank of Scotland, Henderson's previous custodian, where data was re-keyed a number of times, increasing the chances of error, and the overall cost of transaction processing.

But this emphasis on technology has also caused problems, as Mr Trager admits. Mesmerised by hardware and software, Morgan Stanley failed to commit the human resources needed as the operation changed from specialist to full service custody. By late 1989, the situation was causing problems for clients.

Vivienne Lee says that there were simply not enough people with the skills necessary to deal with client problems. At the time, many of Morgan Stanley's competitors were predicting an exodus of clients. To its credit, that exodus did not take place.

At the beginning of this year Morgan Stanley undertook a thorough reorganisation - "there were problems with the service, but they have now got the right people in place and have doubled the number of staff dealing with clients and we have been impressed by their honesty and the speed with which the changes were made," she says.

The prompt response to the operational difficulties seems to have limited the damage done to clients' confidence in the custodian. Jerald Lanzotti, chief operating officer of PCM International, for example, refers to the operational difficulties as "digestive problems".

Morgan Stanley is going to face stiffer competition in the future. Many of the innovations that it introduced are likely to become standard practice in the future. Nor will it remain the only investment bank in the business. Its success has encouraged two of its main Wall Street rivals, Merrill Lynch and Goldman Sachs, to enter the fray.

Particularly galling for Morgan is the fact that Robert Kay, one of the architects of Morgan's operation, has left to take up control of Goldman Sachs Trust Company, the investment bank's fledgling global custody subsidiary.

Stephen Goldman
Deputy Editor, Global Investor

Central Tokyo: even for Japan's financial titans, the cost of setting up global custody networks remains formidable.

JAPAN

Relative newcomer

JAPAN IS still a relative newcomer to global custody, but in a matter of a few years its banks and institutional investors could become as prominent in the business as they have in so many others.

Bank of Japan figures show that outward securities investment nearly quintupled, to $513bn, in the four years through fiscal 1989 – about 2.5 times the US figure – but industry officials say only a small fraction of the total is under global custody, mostly with foreign banks.

Traditionally, Japanese financial institutions have left their portfolios in safekeeping with domestic securities companies. Although not permitted to offer the add-on services that distinguish global custody, securities houses charge next to nothing up front, and compensate with future trading commissions.

For the US and a handful of local banks now marketing global custody services in Japan, the safekeeping system has made it an uphill battle to convince potential clients that extra services are worth added costs.

"Global custody is a baby business in Japan, and first you must explain why clients have to pay.

"Japanese assets are huge, but they are very concentrated and many people don't realise yet what information needs [will arise as they diversify]," says Edward Cooper, vice president in charge of global custody in Asia at Chase Manhattan Bank NA.

Chase is bullish enough on the Japanese market, so that its local trust bank abandoned yen fund management in January to focus solely on global custody, much to the surprise of some competitors – "we think we can be competitive with anyone in this niche," explains Mr Cooper

To do so, Chase is assembling a team to provide the personal service, language abilities and customised tax information that Japanese clients have complained is lacking among foreign custodians, he says.

Other US industry leaders are sourcing business through Japanese trust operations. Manufacturers Hanover Trust Bank, for example, estimates that 35-40 per cent of its $3.5bn dollars in Japanese trust assets are under global custody.

Citibank now services Japanese clients out of New York, London and Hong Kong, but is planning a global-custody road show in November.

Standard Chartered Bank offers custody at Asia-Pacific branches, and will put a unified reporting system on line by the first quarter of 1991.

State Street Bank, which set up a shop in Japan this year, is targeting Japanese investment trusts, the local equivalent of mutual funds, and other vehicles not requiring a trust

Japanese commercial banks are widely expected to enter the market over the next few years

banking license. A company official says unconventional instruments, such as mortgage-backed securities, are promising custody prospects as well.

Among Japanese competitors, the Bank of Tokyo (BOT) has a formidable early lead, with some 40 per cent of Japanese-owned US securities already in its vaults (much via securities houses) and 400 employees deployed to custody services.

The bank plans to launch full-service global custody next February, with an internally developed computer system that will match those of industry leaders and fully in-house sub-custody through BOT affiliates in 15 markets, says Kiyotaka Shirai, deputy general manager of securities services.

Other Japanese commercial banks are widely expected to enter the market over the next few years, partly because the fee income will help them meet Bank for International Settlements capital adequacy requirements.

In addition, global custody could offer vital connections and experience leading up to repeal of the barrier between commercial and trust banking, which many observers think will occur within a few years.

Mitsubishi Bank, now courting Japanese global custody clients, first entered the business through its Bank of California subsidiary to attract US trust funds, says Yoshiharu Tanabe, senior manager of Mitsubishi's global custody office.

While the Japanese global custody market offers excellent potential, it will not be fully tapped until after bank deregulation, he says.

As things now stand, leading commercial banks have extensive overseas networks but can access pension and trust fund custody only via trust banks, life insurers and investment management firms (which gained pension fund access April 1).

Various US industry leaders are now sourcing business through Japanese trust operations

On the other hand, trust banks are still the sole potential custodians with direct access to pension and trust funds, but have limited overseas operations.

Sumitomo Trust & Banking is the only Japanese trust bank to enter the fray so far, and will add a new US-developed computer system in October, says Takahiro Nomoto, a manager in the securities business planning department.

Should the liberalisation tide eventually allow securities firms into the market, at least some of the larger houses are likely to jump in as well.

Still, the cost and logistics of setting up a global custody network remain formidable hurdles, even for Tokyo's financial titans.

"Every bank wants to get into global custody, but they hesitate over the cost, so there is much talk but little action," says Mr Shirai, at BOT.

A capital-markets official at another city banks says his department has solved systems and service problems, but has declined to go ahead with global custody, because most Japanese institutions are unwilling to pay for such services or shy away from the degree of financial disclosure that centralisation would mandate.

For those Japanese banks offering global custody, the initial strategy is fairly uniform: use long-term relationships to target Japanese institutions, especially life insurers, the world's largest institutional investors.

Other potential clients include trust banks, securities houses, regional banks and eventually the postal savings bureau and non-financial institutions, which cannot now invest directly in foreign securities.

Japanese global custodians generally acknowledge that they lag behind US industry leaders in systems technology and experienced personnel, and that going head-to-head for non-Japanese clients is at least a few years off.

At Chase, Mr Cooper adds that Japanese custodians are just now piecing together fundamental settlement and safekeeping networks, while the industry's vanguard is moving beyond the next stage of providing sophisticated information to empowering clients to take action at their terminals.

Still, Japanese bankers say they are uniquely suited to offer the customised service the nation's finicky institutional investors demand – something they are counting on to gain an industry foothold.

"We know what they want; we know what they need; we can respond to their requirements," says Kazuhiro Kunikata, a manager in Sumitomo Trust's securities business planning department.

Given the recent achievements of Japanese banks, it would seem unwise for foreign industry leaders to take the challenge lightly.

Neil Weinberg

Redefining Global Custody

Technology, People and Service

Three years ago Morgan Stanley became the first investment bank to build an integrated organization in support of global institutional investors.

We developed technology which has been recognized as the industry standard, and joined it seamlessly to our clients. Our strategic thinking helped integrate their international investment programs.

Recognizing that service is the determinant of customer satisfaction, we are managing our organizational growth in concert with our clients' requirements. In the process, we are continually redefining global custody and its standards of service.

A distinguished group of investors has already responded to our strategy by selecting Morgan Stanley to support their international investments and activities involving more than $15 billion.

To learn more about our technology, our people and our service, please write to Alan M. Trager, Managing Director, Morgan Stanley, 1251 Avenue of the Americas, New York, N.Y. 10020, or telephone (212) 703-4432.

MORGAN STANLEY

© 1990 Morgan Stanley & Co. Incorporated

Bank of America
Global Securities Services

Announcing the opening of five new regional sales offices.

Bank of America and its affiliates now maintain global custody centers worldwide offering a full range of custodial services to U.S. and international investors.

San Francisco
Frank De Maria III
Vice President – Northwest Region
(415) 622-3461

Ed McLeod
Vice President – Public Funds
(415) 622-3483

Los Angeles
John Balasz
Vice President – Southwest Region
(213) 228-3771

New York
Carlos Rosa
Vice President – Eastern Region
(212) 503-7844

London
Stephen Herring
Vice President – Europe, Middle East, Africa
(071) 634-4741

Sydney
William Ryan
Vice President – Australia
(02) 226-0329

Bank of America

Bank of America NT&SA

A wind of change is blowing through Europe, which finds . . .

Clearers at the crossroads

EUROCLEAR AND Cedel, the two international clearing organisations, have long dominated clearing and settlement in Europe. From their solid foundations in the Euromarket, they have been expanding into a wide range of international securities, including equities.

However, the worldwide trend towards improved local market settlement raises profound questions about their future in supporting investors' interest in Europe's capital markets.

The available evidence suggests that Europe will be a busy investment centre in the 1990s:

■ Salomon Brothers estimates that equity transactions will outpace cross-border bond transactions some time in the early 1990s. This should be seen against the present total value of international equities held by foreign investors which reached $830bn in 1989 with turnover of $1,598bn. In addition, cross-exchange trading reached $582bn in the same period.

■ Europe attracted a foreign investor to one in every three shares traded during 1989. Foreigners put more money into West German equities during 1989 than into any other single market. In all, Europe attracted more than 50 per cent of all new cash committed to international equities during 1989.

■ Equity-based cross border inflows to Europe amounted to $66.3bn in 1989. Most of this investment was made from asset management portfolios ($42.1bn) with the balance from merger and acquisition activity.

EUROPEAN EQUITY MARKETS
Measure of cross-border equity and cross exchange market trading 1989 ($bn)

Market	Capitalisation	Turnover		Cross-exchange trading*	Market turnover rate %
		Total	Foreign investors		
UK	814.3	635.0	141.3	97.9	0.78
France	337.6	221.3	58.2	35.0	0.66
Netherlands	154.5	97.8	61.9	87.5	0.63
Spain	122.9	79.3	23.4	7.4	0.65
Switzerland	170.9	703.8	37.0	8.1	4.12
W. Germany	365.2	628.2	109.3	122.4	1.91
Rest of Europe	459.8	205.9	53.5	25.1	0.45
Total Europe	2,425.2	2,571.3	484.6	383.4	1.06

*Estimated

Source: Salomon Brothers

The traditional client base of Euroclear and Cedel has been that of professionals dealing predominantly in bonds. The growth in the importance of international equities is diluting the position of these groups as the focal point of settlement and clearing on the international capital market.

There appears to be a developing conflict as the specialist international fund managers and self-managed institutions build their own trading and investment operations around their traditional relationships with domestic exchanges, correspondent banks and global custodians.

This poses an obvious threat to the clearers. The tacit and much-resisted acceptance of institutional investors and asset managers as direct members of the organisations seems to be a calculated reaction to minimise this damage.

With the expected increases in trade will come greatly increased settlement activity. The two clearers have already begun to respond by improving their range of services in an attempt to meet customer needs.

Euroclear has extended the range of stocks in which it offers clearing and safekeeping to some 2,500 stocks across 15 markets. Cedel, which entered the equities business later, also moved to diversify away from the bond markets once the underlying investment pattern was clearly established. It, too, has seen a steady increase in business and now clears trades in over 3,000 equities spread across 12 markets.

The international equities market is made up of two distinct elements: cross-border trades enacted for foreign, non-resident investors in domestic stocks in domestic markets; and the so-called cross exchange market, conducted either on the investor's local exchange or on another specialist exchange, such as SEAQ International, which is foreign to the nationality of the security.

The level of foreign share trading on non-domestic exchanges represented 26.7 per cent of all foreign share transactions in 1989, up from 22 per cent in 1988.

These investment flows are driving Euroclear and Cedel increasingly to see their role as facilitators to equity, as well as bond, investors. Euroclear for instance, already supports the settlement of a significant proportion of SEAQ International business within Europe, particularly for West German investors.

The two clearers are also looking hard at building links with domestic exchanges which will enable participation in the settlement and clearance of cross-border bargains. Links are already in place between a number of exchanges.

However, it remains to be seen whether London's International Stock Exchange (ISE) will allow either clearer direct access to the Taurus system. This must be a key strategic aim for both organisations – the UK continues to be largest trading base for the world's international equity markets.

If the ISE were to allow direct access, there would immediately be available to the UK investment community an electronic trade matching, guaranteed delivery verses payment and cash and stock borrowing service. The economic justification for developing an equivalent system in London for internationally-traded stock would obviously be diminished.

The ISE's natural concerns must include the potential loss of business in Alpha and Beta stocks to Euroclear and Cedel, with the smaller and less liquid stocks remaining in London.

For the moment, the issue is sufficiently guarded by the presence of UK Stamp Duty which, purely on cost grounds, effectively precludes the transfer of UK domestic stocks outside the country; but this tax will be lifted once the overhaul of the London market is complete.

Euroclear and Cedel find themselves at a crossroads. They can continue to reinforce the market perception of themselves as being leading institutions in the clearing business, building their market share of international equity clearing. Or, through direct links with domestic exchanges, they can attempt to maintain their pivotal position in global capital markets.

The two institutions are revisiting their membership rule-books, while at the same time promoting the cost effectiveness and ease of use of their existing electronic systems.

Many banks are, of course, members of both Euroclear and Cedel, which poses the interesting question of whether the clearers can really compete as custodians against their own shareholders.

There is both a threat and a challenge here. Cedel and Euroclear can continue to provide a range of complementary services to their members building upon their existing clients relationships.

Alternatively, they might develop the data manipulation and reporting services which would form the basis of future global custody services. Publicly, officials deny any intention to compete head-on with the custody banks. There is little doubt they are privately considering doing just that.

Simon Thomas and Chris Collingwood
Consultants with KPMG Peat Marwick

Tony Andrews

Alan Taylor: 'you can only move forward in this business at the pace of your systems development'

Profile: **Swiss Bank Corporation**

A Thameside strategy

LIKE MOST European banks, Swiss Bank Corporation (SBC) was caught off guard by the skilful repackaging of the back office by the American money-centre banks.

"We did global custody for decades, only we never called it that. It was just part of our operations. The Americans were ahead of us in thinking of it as a product, building it up and marketing it," admits Peter Wittmann, first vice president in securities administration at the bank's Basle headquarters.

Superficially, at least, SBC can claim quite plausibly to be one of the world's leading custodian banks. Long entrusted with the safekeeping of the assets of the wealthy, the tax-shy and the plain unscrupulous, the funds it has under custody run, in Mr Wittmann's estimation, into hundreds of billions of Swiss francs.

Yet in reality SBC, marooned in a trifling domestic market and short of institutional clients, is poorly placed to compete with the likes of Chase Manhattan and Citicorp in the global-custody market. Mr Wittmann admits as much. "As a group, we don't think it is a product which has sufficient potential to warrant the resources necessary to differentiate us from our competitors," he says.

His scepticism is not shared by Alan Taylor, director of global custody services for Swiss Bank Corporation in London. He dismisses suggestions that global custody is a cut-throat business best left to American banks with more money than sense: "I don't think custody is an unnatural business for Swiss Bank to be in. We have a triple-A credit rating, an infrastructure in place and extensive client relationships. It would be unnatural if we were not in this business."

Though the bank has abandoned its American custody business to Brown Brothers Harriman (citing insufficient volumes), Mr Taylor's voice has so far proved the more persuasive. A rigid distinction between domestic and international operations enables SBC to accommodate contradictory views, and Mr Taylor is freely masterminding a new global-custody strategy from the Thameside headquarters of the bank's London subsidiary.

Mr Wittmann pays generous tribute to Mr Taylor's skilful advocacy of the case for a continued presence in the global-custody market. "If it wasn't for Alan Taylor, we probably wouldn't be doing it from there either," he admits.

But then, Mr Taylor is a veteran of similar battles at First Chicago, where he helped Trevor Thomson humble the mighty Chase Manhattan in the battle for control of settlement and clearing in the London money markets, and County NatWest, which was the leading supplier of issuing agency services to the sterling commercial-paper market by the time he left for SBC in early 1989.

A rigid distinction between domestic and international operations enables SBC to accommodate contradictory views

He has now devised a four-fold strategy for success at SBC: maximum automation of manual processing; improved communications with clients; increased emphasis on value-added services; and sharper marketing. On all four counts, he has made an impressive start.

Mr Taylor manages just 60 staff, suggesting that automation and productivity are already high. Each client is serviced by a single account officer and SwissSec, a new electronic banking system for securities, was introduced nine months ago. All the usual value added services – securities lending, cash management, foreign exchange and portfolio valuations and reporting – are on offer, and continuing investment in new technology is promised.

"You can really only move forward in this business at the pace of your systems development, because any innovations you want to make involve changes in your systems," says Mr Taylor.

Staff morale has improved; the bank is picking up new business and the custody division is profitable. Yet Mr Wittmann's view seems the more realistic in the longer term. SBC lacks the mass of institutional clients on which the major global custodians thrive.

Nearly two thirds of the funds the bank currently holds belong to private clients (two thirds of them from abroad) or foreign banks, for which it acts as Swiss sub-custodian. Only about a third of SBC's funds are institutional, and less than a third of these are foreign.

Wittmann believes the Swiss institutional market is too small to generate the economies of scale which justify the incessant technological innovation necessary to win institutional business overseas.

"Our backyard is too small by comparison with the US and

Continued on facing page

MANUFACTURERS HANOVER

Distinctive

Our London-Based Global Custody Services Are Just Your Cup Of Tea.

Off-the-shelf custody designed for the "average" investor or the "normal" transaction benefits no one. If that's how your custodian views your business, you may have a lemon. Who's average? What's normal?

At Manufacturers Hanover, we create a blend of services perfectly matched to the needs of your portfolio. With securities processing centers in London and New York and a network of subcustodians around the world, we're prepared to handle the most routine transaction and the most demanding. When you need multi-currency processing — we've got it. When you need trades settled in Australia ..... Germany ..... Japan ..... we do it. When you need foreign exchange clout — use ours.

Wherever you are — we are. With our full-bodied blend of services. How refreshing! In New York, call Diane Reyes, Vice President at (212) 270-4694 and in London, John Gibson, Vice President at (071) 932-3609. For Global Custody brewed your way.

©1990 Manufacturers Hanover Trust Company. All Rights Reserved. Member FDIC. Member of the Securities Association.

GEOSERVE℠
Foreign Know-How

KAS-ASSOCIATIE N.V.
BANKERS SINCE 1806

The expert in clearing and settlement services in London and Amsterdam

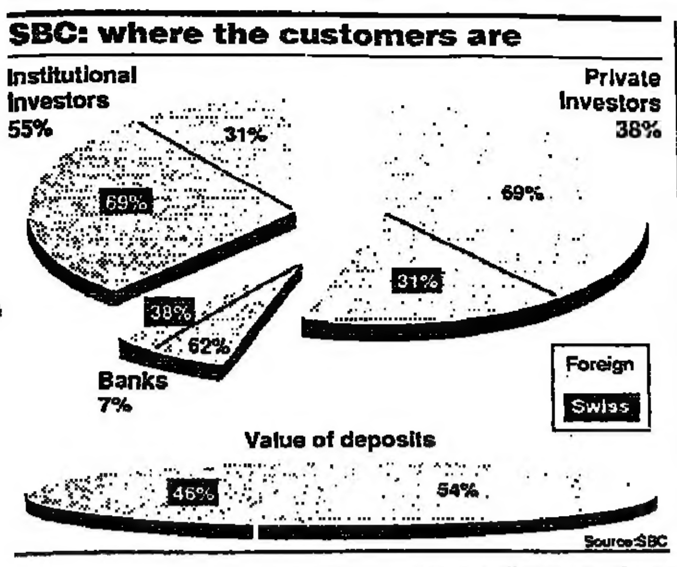
- Neutral on the capital market: the Company does not trade on the Stock Exchange nor acts as an issuing house.
- Service-institution and banker for the Amsterdam Exchanges and other interprofessional institutions.
- 60% subsidiary of the Amsterdam Stock Exchange.
- One of the largest providers of custody services in the Netherlands.
- Specialised in settlement services: rapid and perfect completion of securities transactions, based on delivery versus payment.
- Specialised in borrowing and lending of shares and debentures.
- Specialised in the clearing of options and future transactions, both in London and Amsterdam.
Also at your service are Kas-Associatie subsidiaries **EUROPTIONS**, Clearing Member of the European Options Exchange in Amsterdam and **KAS CLEARING AGENT**, Clearing Agent on the London Traded Options Market and General Clearing Member of the London International Financial Futures Exchange.
- Communication with clients by electronic datatransmission.

For more information please contact
mr. R. Jessurun Lobo (0031 20) 557 54 49.

KAS-ASSOCIATIE N.V.
SPUISTRAAT 172, 1012 VT AMSTERDAM
THE NETHERLANDS

هكذا من الأصل

SBC: where the customers are



Continued from facing page

UK. The custodian banks there are in an expanding market, and even they will be thinned out," he predicts.

But it is a weakness Mr Taylor believes he can rectify without compromising on either quality or price.

A favourable response

A number of European institutions have switched to SBC, several British institutions are responding favourably, and prices are holding up well.

"We never go in at silly prices, ever," he says.

Differentiation, not volume, is Mr Taylor's toughest challenge.

All of the singular advantages he adumbrates – state-of-the-art systems, dedicated account officers, language skills, active management of the sub-custodian network, stock lending, cash management, forex services and the like – are indispensable to any bank with serious pretensions as a global custodian.

Mr Wittmann is somewhat pessimistic, however.

He believes the efforts of SWIFT and the Group of Thirty will eventually standardise communications and technology, disintermediating banks from the settlement and clearing of securities, except in a few emerging or especially intractable markets, and dissolving sub-custodian networks in favour of direct electronic links with the major national and international depositories.

"Global custody is becoming a commodity market with falling prices," he says.

Mr Taylor disagrees, claiming that automation and standardisation will increase efficiency, lower costs and reduce risks without diminishing the need for a high quality of service.

"We are many years away from becoming a commodity business.

"Clients are interested in the quality of service, even in such basic matters as dividends and tax reclaims," he asserts.

Neither Mr Taylor nor Mr Wittmann feels the contradiction between their opinions as keenly as the evidence suggests they should.

"What Mr Wittmann really means is that the speed of our development and the transformation of our service – in terms of investing in new systems – would have been done at a more measured pace under Swiss control," says Mr Taylor.

Backing from Basle

It seems that Basle is prepared to back Mr Taylor with both money (it funded the development of SwissSec) and time (there is no formal deadline by which Mr Taylor must demonstrate success).

SBC has already abandoned the American market as uneconomic, and the final choice will probably hinge on Mr Taylor's ability to keep his operation in profit.

"We see ourselves increasing our cash flow through cost reduction rather than revenue increase," warns Mr Wittmann.

Dominic Hobson
European Editor
Global Custodian magazine

As the UK edges towards dematerialisation . . .

Global custodians are bullish about Taurus

THE AUTOMATION of UK share dealing was brought in with a big bang. The automation of UK settlement will be a series of controlled explosions.

The much-delayed Transfer and Automated Registration of Uncertified Stock (Taurus) will now be implemented over a period of three years, and will involve the complete dematerialisation of UK stocks, the replacement of the two-week account with rolling settlement, and the introduction of delivery versus payment (DVP).

These changes will have a dramatic effect on the way back-office functions are organised in the UK, and the indications are that global custodians will be the main beneficiaries.

Throughout the 1980s, the yearly delays of Taurus were as much a feature of the UK stockmarket as the backlog of failed trades, which, at the worst point, was valued at £8bn. Now that image of the International Stock Exchange (ISE) has been dispelled by a series of reforms instigated by its chairman, Andrew Hugh Smith, and the chief executive, Peter Rawlins.

Under Mr Rawlins' direction, settlement activity at the ISE has been split off into a separate business unit, with its own board charged with the task of running it as a business. The result has been that Taurus has finally been wrested away from the bureaucrats and the process of implementation has begun.

"We had to take the project by the scruff of the neck and stick to the schedule," explains

One area of criticism is the priority given to dematerialisation over rolling settlement

John Watson, deputy managing director of the settlement services division of the ISE.

Once the initial shock that Taurus was really going to happen had died away, institutions started to reassess their settlement capabilities. Some of the larger institutional investors may be tempted to take a greater proportion of the custody and settlement functions in-house.

Roy Bell, head of securities administration at POSTEL, has already made a recommendation to the board that POSTEL becomes its own Taurus account controller (TAC).

"If a direct link is viable for a custodian bank, then it has to be viable for an institution of our size," notes Mr Bell. According to his estimates that £5bn of assets is the minimum size for an institution wishing to take this direct route, that still leaves room for a significant number of institutions.

Whether the majority of these institutions will be willing to make the commitment of resources and personnel needed to become an account controller is open to question. George Johnson, of Coopers & Lybrand Deloitte, warned an audience of investors at a recent seminar on Taurus that having to reconcile trade date accounting systems with the Taurus records would make immense demands on existing in-house accounting and settlement systems.

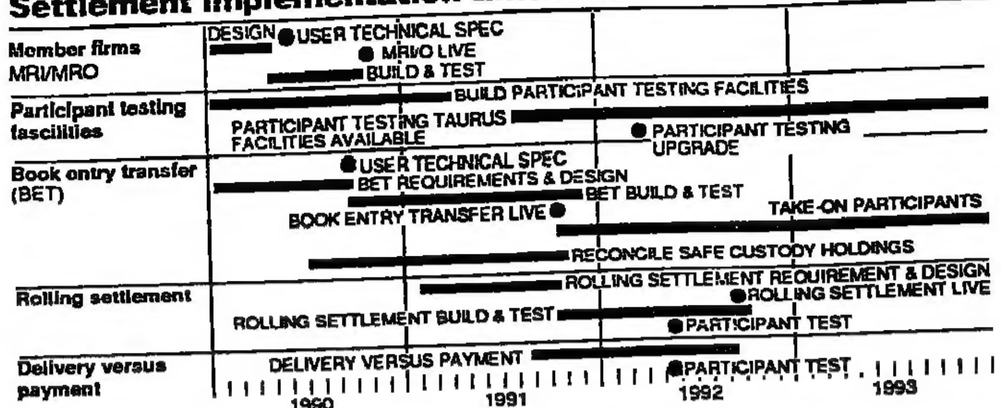
Similarly, John Gubert, head of markets development at Midland Securities Services and chairman of the ISE's settlement risk management group, is sceptical about the ability of most investment institutions to cope with the demands of the Taurus system.

If the institution is a large homogeneous fund, investing only in UK stock, then it could make sense for it to become a TAC. In reality, investors have stocks, gilts, money-market instruments and foreign securities in the same portfolio. Even the task of keeping Taurus-eligible stock separate from other securities is one that would task most omnibus portfolio accounting systems.

"People still think that Taurus means one computer link in the back office with one employee operating it," notes Mr Gubert. "They fail to take into account the questions of reporting, auditing and trusteeship that will arise in the new system."

The global custodians have realised that, far from making them redundant, Taurus represents a marketing opportunity. Although the costs of settlement and safekeeping will fall, the comparative cost advantage that the large custodian banks now have over the majority of institutions will remain after the implementation of Taurus.

Settlement implementation timetable



The timetable consists of three major stages as follows:
● Implementation of network links & testing facilities (infrastructure). ● Book entry transfer (dematerialisation).
● Rolling settlement & delivery versus payment (risk reduction).

Source: International Stock Exchange

■ JOHN GUBERT (left): 'Any fool can agree to make payment if the times are good . . .' and JOHN WATSON: 'We had to take the project by the scruff of the neck'

Global custodians have developed powerful multi-currency settlement and reporting systems. For them, the link-to Taurus should present few problems, especially given the fact that the main banks have been members of the institutional net settlement system (INS), the precursor to Taurus. The development of direct electronic links with the ISE, the gilts market, the UK money markets and the central depositories of the French and German markets has strengthened the case for global custody.

"Do investment managers want to manage the interface with each different system and central depository, or do they want a single interface with a custodian?" asks Mr Gubert.

Far from being the start of do-it-yourself settlement, most observers believe the system will lead to more institutions, which currently manage their own back-office operations, hiring an external custodian.

Although, as Mr Watson explains, the primary objective of Taurus is the updating of the settlement process in the UK domestic market, the ISE firmly believes that this will make London more attractive to international investors. But many in the UK market feel that some elements of the Taurus programme do not further this aim.

One of the areas of criticism is the priority given to dematerialisation over rolling settlement. The replacement of the two week account system with a rolling five day (T+5) settlement regime brings the UK into line with the majority of the world's stock exchanges. But the proposals put forward in March do not satisfy many of those involved in the UK market.

The Group of Thirty report on international settlement, published last year, called for final settlement on T+3 by 1992, with an interim target of T+5 by 1990. If the project runs to schedule the ISE will not achieve T+5 before the fourth quarter of 1991. The Frankfurt exchange, the ISE's main competitor in the race to become the dominant European exchange, has already introduced T+2 settlement and the dematerialisation of the majority of the trading German stock.

Frankfurt is also well on the way to a full DVP (the simultaneous exchange of securities and cash payment). The plans for DVP in the Taurus project have met with some criticism. The clearing banks have been criticised for dragging their feet over assuming counterparty risk in a DVP system. Mr Watson has admitted that discussions with the clearing banks have been disappointingly slow.

Mr Gubert, who, as chairman of the ISE settlement risk working group, has been in charge of these discussions, is unrepentant. He insists that, until all the parties feel comfortable with the arrangements, he will not proceed further. He makes the point that, until the DVP arrangements are fully agreed and understood by all parties, it is too dangerous to proceed.

"Any fool can agree to make payment if the times are good," he says. "What we have to do is ensure that the system works on the next Black Monday, because it is only then that any payments system will be really tested."

Charles Harrington

NEW NAME. OLD HANDS.

Having made quite a name for ourselves in Global custody, we've now decided to change it.

(We think our new one reflects our commitment to today's wider range of services a touch more accurately.)

Our reputation though, remains the same.

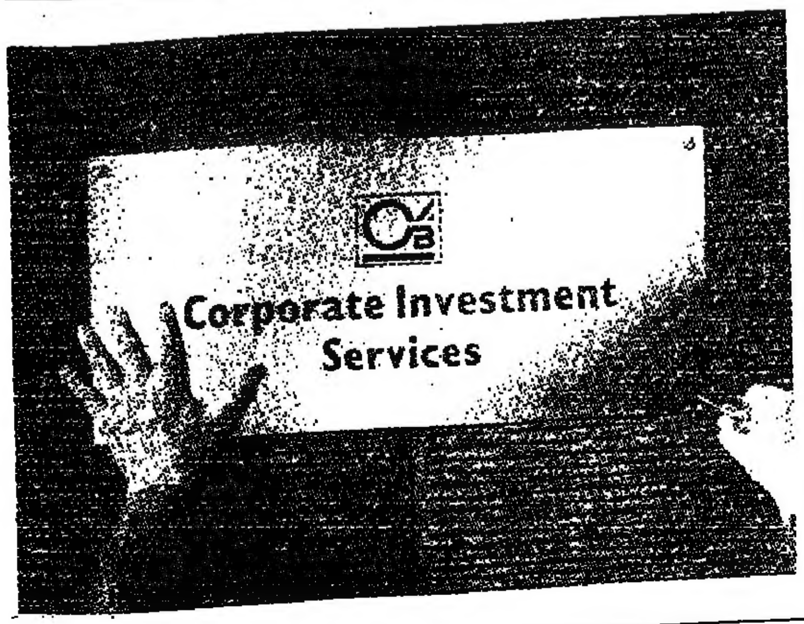
A reputation which has been recognised over the last 20 years by many of the country's more successful Fund Managers.

To keep ahead of the game we've invested heavily not only in people, but also state-of-the-art technology. Allowing us, and so you, to respond quickly and effectively to fluctuating market forces.

To find out more about these, and other developments, just ring Bob Pert our Business Development Manager.

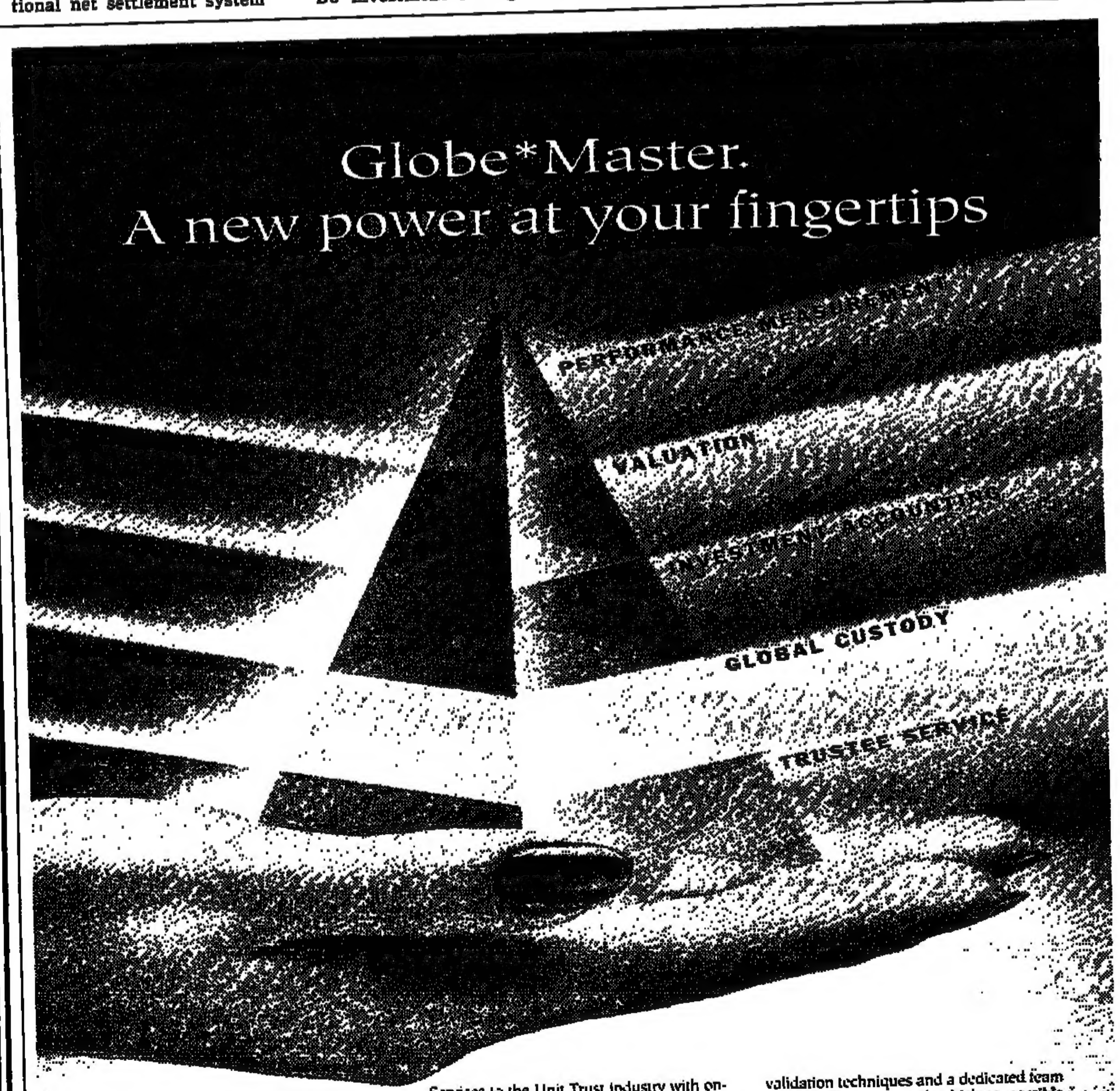
He'll be happy to help in any way possible.

Just name it.



Clydesdale Bank
We care about more than your money.
A member of IMRO.

CORPORATE INVESTMENT SERVICES, PO BOX 124, THE GUILD HALL, 57 QUEEN STREET GLASGOW G1 3EA. TELEPHONE: 041-204 1010.



Knowledge is power, and the at-your-fingertips awareness provided by **Globe*Master** dramatically improves your control over the management of pension funds, unit trusts, and other funds, allowing you to make investment decisions without constraint and maximise returns.

Developed jointly by The WM Company and Bankers Trust Company, **Globe*Master** provides a unique service combining Trusteeship and Global Custody with Investment Accounting, Valuations, and Performance Measurement. A single point of input introduces a consistent and absolute standard to every aspect of securities administration.

Trustee Service:
A separate subsidiary of Bankers Trust Company, Bankers Trustee Company Limited (a member of IMRO) provides Trustee Services to the Unit Trust industry with on-line access to all Custody, Accounting, and Valuation data.

Global Custody:
Built on the solid foundation of a high quality sub-custodian network, we provide a range of value added services to help *generate incremental returns*. For example, all cash balances are interest bearing, and in our $60 billion securities lending programme you are *fully indemnified* against any loss due to broker failure.

Investment Accounting:
Not adapted, but *designed* to meet UK and European standards, ours is a comprehensive multi-currency accounting system producing management and investment reports tailored to your specific needs, with output on-line as required.

Valuations:
Our stock market database is constantly updated by more than 60 *independent data sources* worldwide. Rigorous automated validation techniques and a dedicated team of specialists ensure the highest possible standards of market data. Portfolio Analysis reports are structured to reflect your specific investment objectives.

Performance Measurement:
The WM Company, the largest provider of measurement services in the world, offers you timely and accurate calculation of investment returns, together with comparisons against any index or specific benchmark.

To learn more about how **Globe*Master** will benefit your funds, contact Mark Kerns on (071) 831 6686.

Bankers Trust Company
1 Appold Street, Broadgate, London, EC2A 2HE
Bankers Trust Company is a member of TSA

THE HUGE surge in international investment and share-trading has spawned a new and highly profitable industry – global custody. Someone has to look after all those share certificates sloshing around the globe, check that dividends are paid, currencies correctly translated and proxy forms processed.

At the top of the fast-growing pile of participants are the major banks, mostly American; and, in a world of bad debts, downgraded credit ratings and industrial uncertainty, the once little-regarded custody divisions are now welcome providers of big profits.

But with an increasing number of spoons dipping into the same pot, the competition is getting more intense, and the key to grabbing clients from rivals is to provide better service. In turn, that requires the latest technology to process the huge amount of information locked up in portfolios, and keep clients fully in touch with their portfolios.

The debate in the industry is now whether to develop in-house systems, or buy then off the shelf. As with so many computer-based activities, improvements in techniques mean that change is constant, and the search for improvements provides almost instant obsolescence.

There are a score or more of tailor-made systems which custodians can install, but some of the larger players still prefer to be their own architects.

Hal Macintyre, of Citibank, New York says: "When we started looking at this area

Systems: in-house or off-the-shelf? Either way . . .

The client demands service

several years ago, we noticed some obvious trends that are affecting the industry – globalisation, the 24-hour markets, the high risk associated with the settlement process in multiple locations. Although the Group of Thirty is working diligently to streamline the settlement process, for many years we believe we are going to be working in multiple infrastructures with different information standards.

"We decided to develop a system in-house, because the 26 major packages we examined could not support our business requirements. Many of them were 10 or 15 years old. This is not the kind of environment that will form a strategic platform in the 1990s."

However, others disagree. Julian Hards, head of settlement products at Midland Bank says: "We have installed New York-based Vista Concepts' VSPS system, because we haven't seen any banks being successful at building a bespoke custody system. Vista Concepts is a NYNEX company, with VSPS used by the Amsterdam depository. Nederlands Centraal Institut Voor Giraal Effectenverkeer BV (NECIGEF), Royal Trust Company in Canada and Midland Bank in the UK. Vista also provides trust accounting, trade order entry and capital markets processing products.

This disagreement between custodians is further complicated by two varieties of third-party package available. Some are revamped investment management products, and others are true global-custody systems. Vista Concepts falls into this latter category, along with BIS Banking Systems' FundMaster and Birmingham, Alabama based Dyatron's Omni GS system. Dyatron is a wholly-owned subsidiary of SunGuard Data Systems based in Wayne, Pennsylvania. It has been in the financial services software business for 25 years, and also has domestic stock-lending and trust accounting systems in its portfolio.

On the other side of the fence are two London-based companies – Apricot-owned ACT Financial System's 15-year-old Quasar system, a portfolio-management product aimed at institutional and private-client portfolio managers, and Clarke & Tilley's Paladign System. Both sides have something to offer, and the final decision rests on balancing functionality required with cost.

Sean Quinn, of Chase Manhattan Bank, puts Quasar into perspective, saying: "Some of our clients who require links to their own internal systems use Quasar, so we sponsored a link from Quasar to Chase for delivery of trade instructions.

The most common criticism made by custodians using in-house systems is that there is insufficient control over their own destinies with third-party vendors. Steve Plampton, at Boston Safe, explains:

"We develop everything ourselves. If you go to bed with an outside agency, you rely on them to develop everything as they want. The cost tends to be that much higher. Once you start making adjustments to the system, then they won't support it. It is much better to develop your own system, so that you can develop it how you want."

This desire to have flexibility is borne out of two needs: to stay in touch with an ever-changing marketplace, and to maintain competitive edge. These two requirements are balanced by the need to minimise costs.

Mr Hards explains Midland's position: "If you are a large custodian and you can afford the investment, then Vista Concepts is the solution. Running on a mainframe IBM platform, VSPS is an on-line, multi-currency, multi-lingual real-time securities processing system with once-only data entry. It accommodates specific reporting and tax requirements of various countries, as well as providing electronic interfacing, with depositories such as Euroclear and Cedel, and messaging direct to SWIFT. Both BIS Banking System's FundMaster and Dyatron's Omni support similar functions. So what differentiates the products, and why do some custodians prefer to use their own bespoke system?

Mr Quinn says: "The packages that come from the investment management angle are less rich in functionality than those that are developed specifically for global custody. However, many of the products that are intended for global custody are dedicated more towards a single market like the US."

This dislike of investment management systems is shared by Mr Hards: "Paladign and Quasar are what I would describe as the problem, in that they are systems that have been bent to be custodian systems. They are not safekeeping and settlement systems."

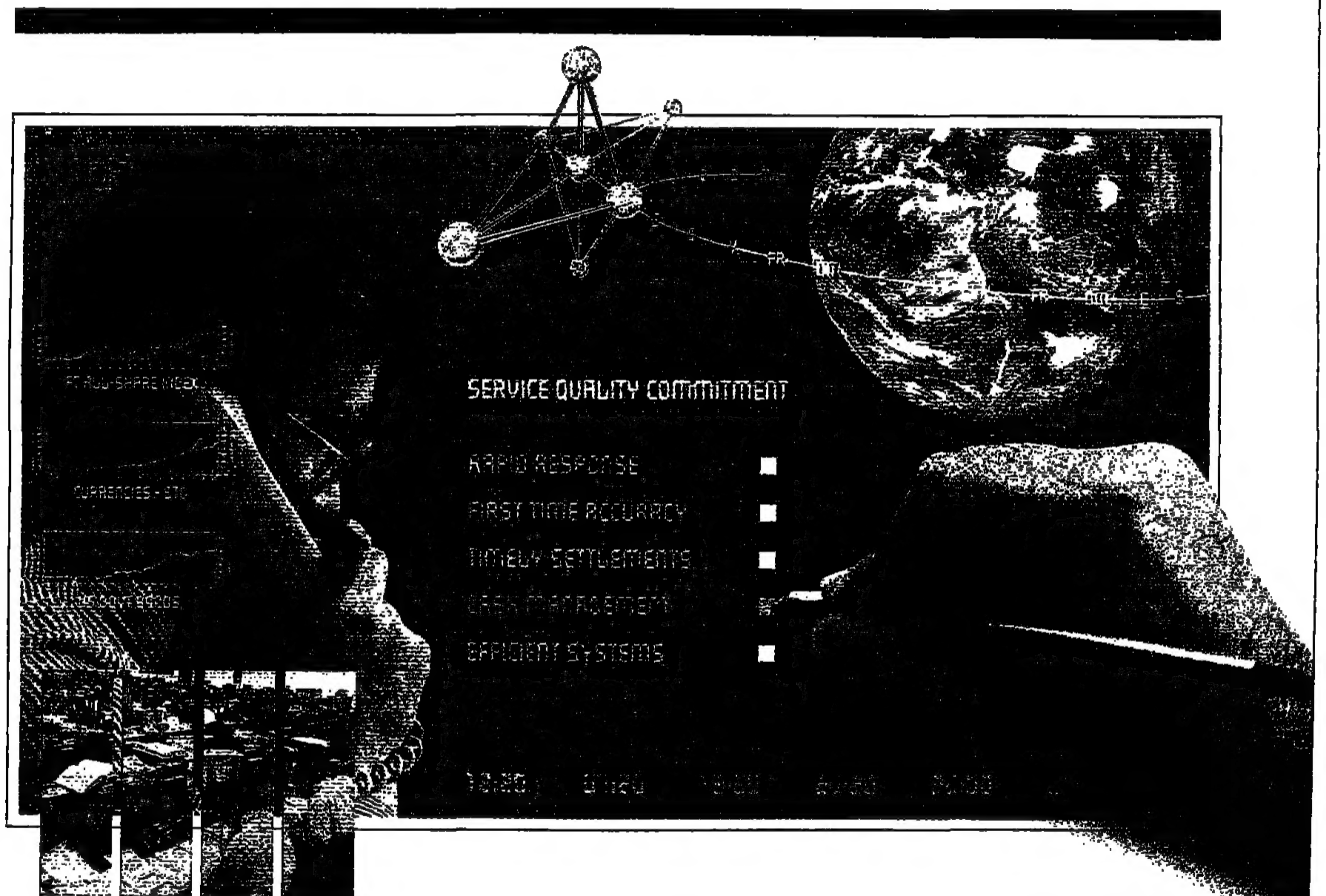
As one custodian says: "All the vendors claim to offer a better solution than they do. I can't honestly say that anyone has an outstanding offering. So an in-house system was chosen, although plans are afoot to replace it".

This is one of the hallmarks of global-custody systems: constant updating to keep pace with the market. Despite much discussion between in-house system users and those with third-party global-custody systems, both are agreed that investment management packages, warped into becoming custody systems, are not a good strategy.

But it is not all gloom at the investment management end of the spectrum. David Watson, senior manager of global custody at Lloyds Bank, explains how their system is far removed from the original Quasar package: "Eight years ago, we took on board a Quasar system that we subsequently developed into a number of separate applications. We're looking to deliver what the market requires. We don't know of any major areas which won't be delivered by this system. We're fairly bullish about it."

If you want control over your system, you have to pay for it – both financially and with human resources. For some custodians, customising a third-party vendor product provides sufficient flexibility for the price. For others, it is necessary to keep everything in the family. One thing is certain: every custodian is trying to wring out the last drop of competitive edge from whatever system they use.

Graeme Austin
Technology Editor
Equity International



Uniquely positioned to turn Custody concepts into reality

Quality of service has become the hallmark of a successful custody operation.

In today's demanding environment, custodians must be able to turn concepts into realities. At Citibank we do this by providing innovative and flexible solutions to meet the needs of a changing marketplace.

Citibank is internationally renowned for its investment in technology and for providing the necessary support to guarantee efficiency and reliability.

We have the most extensive network of securities professionals around the world, including the largest proprietary network of sub-custodians.

Service quality is a natural expectation of our customers. We turn it into a reality.

To find out how we can better meet your custody needs call. *Citibank N.A. New York. Mark Aprahamian (212) 657 9100. London. John Morris (071) 234 5270 Zurich. Ali Khan (411) 205 7111. Hong Kong. Teresa Yiu (8525) 807 6523.*

Dedicated Securities Support – Worldwide

CITIBANK

Marketing: Andrew Freeman on the change in emphasis

That was the image – now for the reality

THE MARKETING of global custody, like the marketing of many banking products, has to date lacked refinement. Most leading players currently have their marketing strategies under review, in a tacit admission that they have been missing the target.

That is not to say business has not been won. At one level, custody has been a marketing dream. From its obscure origins in the 1970s, it was plucked by the October 1987 stockmarket crash and thrust to the forefront of the debate over the risks of international investment.

A wave of media and client interest set the product on its way, and some sales teams have never looked back. Liberated by the new-found concern of senior managers, they sold the product to a willing audience of pension funds and investment managers.

Taken in its broadest sense, however, marketing gradually created an industry image, which the operations arm of custody banks still finds hard to deliver to clients.

A combination of advertising and direct selling has presented global custody as capable of performing the almost impossible function of smoothing away the inefficiencies of the international settlement infrastructure.

Not surprisingly, it has become evident in surveys and market research that customers are less than impressed by the standard of the product's basic efficiency. While clients generally welcome the development of additional product features, like stock lending and automatic dividend payments, they really want their custodians to make it a priority to ensure improvements in the settlement and payment functions.

It has become evident in market research that customers are less than impressed by the standard of the product's basic efficiency

Within the last six months, this has created a dilemma for the custody providers and led to the review referred to above. Banks are re-thinking the way they view the product and how they sell it to customers.

Concern over future positioning has also driven the change of focus. Banks see the future of custody as tending away from a transaction-processing function towards the provision of more flexible and timely portfolio information, as well as analytical tools for data manipulation.

They are trying to alter their identities, so that they are seen primarily as information providers – and that means changing client perceptions.

To some extent, this has been facilitated by the much greater level of sophistication achieved by customers. Several years of exposure for global custody has helped plan-sponsors to become clearer about what they want. "There's a knowledge base now," says Mr Robert Darmanin, of Bank of America.

The perceptible gap between client needs and the marketing of the providers has been clearly visible in the advertising of leading banks. Only recently has there been a shift away from traditional campaigns stressing high technology and systems capability towards issues which reflect the new-found confidence of customers in saying what they want.

For example, Citibank stayed for a long, uninterrupted period with a campaign that stressed a futuristic, satellite-based communications product. It has now switched towards a warmer image, using the quality of its staff to emphasise the service aspect of the product.

State Street, the successful Boston-based group, still uses a nautical compass to suggest accuracy and reliability. This is more down-to-earth than the image promoted by its rivals, but it is also a technocratic picture.

By contrast, Morgan Stanley – a late entrant into the business, on the back of its expertise in running index funds – tried to establish a blue-chip banking image for the product, running tombstone-style advertisements and forcing a response from competitors like Chase Manhattan. Items once regarded as secret and sacred, such as client lists, are now displayed freely in advertisements in a battle for status.

The perceptible gap between client needs and the marketing of the providers has been clearly visible in the advertising of leading banks

The decline of what one marketing manager describes as "the intergalactic approach" is a symptom of the need for banks to mark out their distinctive abilities in what has inaccurately been seen as a homogeneous product area.

As emphasis on a technology-driven settlement capability diminishes, the focus is shifting towards service quality as the main arena of differentiation. This plays into the hands of selected niche providers, like Northern Trust, which have long made a virtue of their ability to provide a high level of individual attention.

It also means that custody banks have belatedly realised the importance of experienced staff, a phenomenon which has had its own ramifications for salary levels and staff turnover. "This business will see an increasing emphasis on warm bodies at the end of a telephone line," is how one manager puts it.

The emphasis on service quality has raised the question of how this can be measured. In a business driven by precise information provision, quality is more than a subjective issue.

Bank of America thinks performance quality can be measured, and it reports an encouraging response from customers to a system of feedback it introduced earlier this year. The bank measures the timeliness and accuracy of its operations, and provides customers with reports on whether it attained its own performance targets.

Bank of America thinks performance quality can be measured, and reports an encouraging response from customers

The system, along the lines of internal control systems run by many banks, distinguishes between responsibility for mistakes. It therefore has the virtue that it tells Bank of America what its clients and sub-custodians are doing wrong, in addition to identifying its own mistakes.

Another key area of service differentiation is the flexibility of the product mix. While a few players have the critical mass to be in a position to choose the type of business they are willing to take on, most will have to demonstrate a new-found fleetness of foot.

The need to make customers feel they are receiving a valuable service will require custodians to demonstrate a new sophistication in their marketing, and aim a less forbidding image at the market.

FINANCIAL TIMES
1990 RELATED SURVEYS

Financial Futures & Options	March 9
Asset-backed Finance	March 27
International Banking	May 9
Foreign Exchange	May 14
US Finance & Investment	June 25
International Capital Markets	July 2
Private Banking	October
London as a Financial Centre	October
International Fund Management	November
Switzerland: Finance & Investment	December

FOR ADVERTISING INFORMATION: Contact DAVID REED
071-873-3461
FOR EDITORIAL INFORMATION: Contact DAVID DODWELL
071-873-4090